

Client Alert

Current Issues Relevant to Our Clients

October 19, 2015

IRS Priorities for Tax Exempt Bond Programs in FY 2016 – Reinstitution of Compliance Checks

On October 1, 2015, the Tax Exempt and Governmental Entities Division (“TE/GE”) of the Internal Revenue Service (the “IRS”) released its Tax Exempt and Governmental Priorities for Fiscal Year 2016 (“FY 2016”).

For FY 2016, TE/GE will allocate approximately 50% of its Tax-Exempt Bond Division (“TEB”) resources to examinations, approximately 30% to the Voluntary Compliance Agreement Program (VCAP), approximately 15% to customer education and outreach and approximately 5% to direct pay bond activity.

TEB will also reinstitute a compliance check program (the “Compliance Check Program”). The Compliance Check Program will be used to measure and promote tax compliance in the municipal bond community, as well as to educate issuers and provide the IRS with information to enhance its records. Past compliance check initiatives have been directed at issuers of qualified school construction bonds, exempt organization borrowers of qualified 501(c)(3) bonds, governmental issuers of tax-exempt governmental bonds, issuers of direct pay build America bonds, and issuers of advance refunding bonds.

The Compliance Check Program will initially focus on problems identified solely by looking at Form 8038 series information return filings. Form 8038 series information returns are information returns required to be filed when tax-exempt or tax-advantaged bonds are issued. The Form 8038 compliance check initiative will test non-compliance by determining whether the information on a Form 8038 that indicates a violation was accurately transcribed and by determining whether the information on the Form 8038 is accurate. TEB expects that the Compliance Check Program will provide broader coverage of Form 8038 returns than could be provided through an examination initiative and has indicated that the Compliance Check Program may lead to some examinations of tax-exempt or tax-advantaged bonds that may not otherwise have been conducted. Because of its broad application, it is likely that a number of issuers will receive compliance checks or soft contact letters from the IRS as part of the Compliance Check Program.

To view the complete program letter, please [click here](#).

For More Information

To discuss any topic covered in this Client Alert, please contact a member of our Public Finance Group or visit us online at chapman.com.

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