



July 18, 2008

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Chapman and Cutler LLP
National Public Finance
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IRS to Issue Surveys to Governmental Bond Issuers

The Internal Revenue Service (the "IRS") recently announced its plan to issue questionnaires to between 200 to 500 state and local governmental bond issuers this summer. The IRS is seeking extensive information regarding whether issuers are in compliance with tax code provisions regarding tax exemption for interest paid on tax-exempt obligations. The survey, which presumably stems from last year's survey of charitable organizations, will seek to ensure that issuers have enacted sufficient policies and procedures relating to the tax exemption.

Specifically, the IRS will request:

1. Documents proving timely spending and appropriate use of bond proceeds
2. Timely return filings
3. Evidence of compliance with arbitrage provisions
4. Information regarding the issuer's document retention program

5. Investment records
6. Contracts for construction and purchases paid for with bond proceeds
7. Private activity information

The IRS also seeks confirmation that an issuer has adequate written procedures relating to these items and will ask when such procedures were adopted.

The IRS has stated that the survey is merely an information-gathering exercise and that responses will not invite a more formal examination. However, the IRS does intend to use the survey responses to increase the efficiency of its future examinations and could undertake enforcement action against issuers failing to respond to the survey.

In light of this recent announcement, issuers are well advised to review any policies and procedures relating to tax exempt obligations, specifically those items listed above and should strongly consider hiring counsel if it receives the IRS survey. Please contact your Chapman and Cutler attorney should you have any questions regarding a review of your internal procedures or in the event that you receive the IRS survey.



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Passage of HEART Act Eases Restrictions on Veteran Access to Qualified Mortgages

On June 17, 2008, President Bush signed into law H.R. 6081, the Heroes Earnings Assistance and Relief Tax Act (the HEART Act). The HEART Act will provide more than \$1.2 billion dollars in tax relief to active soldiers and veterans. Section 103 of the HEART Act modifies the qualified mortgage bond program to provide a broader source of funding for veterans seeking home financing.

Qualified mortgages are issued to first-time homebuyers meeting certain income, purchase price and other criteria. Under present law, veterans are eligible for an exemption from the first-time homebuyer requirement. However, this exemption may only be used one time

and must be applied to financing provided by bonds issued after December 20, 2006 and before January 1, 2008. The HEART Act removes the January 1, 2008 limitation, permitting veterans to permanently take advantage of the exemption.

The HEART Act will provide a greater source of funding for veterans seeking a qualified mortgage. According to its sponsor, Congressman Charles Rangel, the HEART Act is a "thank you to the tens of thousands of American men and women who have responded to America's call to fight this war and place themselves in harm's way to serve this nation."

If you would like to discuss any of these matters with us, please contact John Trofa, practice Group Leader of Chapman and Cutler LLP National Public Finance Group, at (312) 845-3777 or trofa@chapman.com, and he will put you in contact with the appropriate Chapman and Cutler attorney.

ATTORNEY PROFILE



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Home Office: Salt Lake City

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Clients: Serves as bond counsel, underwriter's counsel or disclosure counsel on a wide variety of public finance transactions

Specialty: Public finance transactions in the West

Affiliations: Board of Trustees of the Utah Association of Special Districts, member of the Utah Water Coalition, past member of the Bonding Subcommittee of the Revenue and Taxation Committee of the Utah State Legislature

Education: University of Chicago, M.B.A., 1975; University of Chicago Law School, J.D., 1973; Brigham Young University, B.A., 1969

What I Find Rewarding: Working with public officials to finance public facilities, particularly those that support and promote education, jobs and growth; helping younger lawyers develop their skills and build their practices