

Regulatory Relief Granted to Issuers of Tax-Exempt Bonds in Response to the COVID-19 Pandemic

Temporary guidance regarding TEFRA hearings

On May 4, 2020, effective immediately in response to the COVID-19 pandemic, the Treasury and the IRS issued [Rev. Proc. 2020-21](#) that retroactively permits telephonic hearings through the end of this year for private activity bonds subject to the requirements of section 147(f) of the Internal Revenue Code (commonly referred to as the TEFRA regulations). Under this guidance, issuers can satisfy the location and in-person hearing requirements of the TEFRA regulations by providing residents of the approving government unit a toll-free telephone number on their website notice. Issuers may offer additional access to the hearing by other telephone numbers or internet-based meeting technology.

Temporary holding period extended for governmental issuers purchasing certain of their own tax-exempt bonds

To provide further relief to state and local government issuers of tax-exempt bonds, the Treasury and IRS also issued [Notice 2020-25](#) on May 4, 2020. This notice extends the period during which governmental bond issuers can purchase and hold their own tax-exempt qualified tender bonds (also known as VRDBs or VRDNs) or tax-exempt commercial paper from 90 days to 180 days without causing a reissuance or retirement of the bonds for tax-exempt bond purposes. Under the notice, such purchases will not cause deemed terminations of qualified hedges. The notice is applicable to purchases from January 1, 2020 through December 31, 2020. Although the establishment of the [Municipal Liquidity Facility](#) in April by the Federal Reserve appears to have stabilized short term interest rates, this notice may assist state or local issuers in the event of future spikes in short term interest rates.

IRS Extends 8038 Filing, Rebate Payment and Other Deadlines

The Treasury and IRS have also issued [Notice 2020-23](#), extending the deadline until July 15, 2020, for performing a time-sensitive action as listed in [Rev. Proc. 2018-58](#), which includes, among other filings, filing Forms 8038-G, 8038 and 8038-T (rebate and yield reduction payments) originally due on or after April 1, 2020, and before July 15, 2020. Form 8038-CP (request for federal subsidy payments) does not appear to be affected although issuers may experience some delay in processing since the relief under this notice also applies to the IRS.

For assistance or further guidance on the impact of this guidance on your tax-exempt debt, you are invited to call your regular contact in the Public and Project Finance Practice Group at Cozen O'Connor or Jerry Spector at 215.665.2039 or Chris Compton at 215.297.2671.



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