



# TaxNewsFlash

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## Proposed regulations: Guidance on tax-exempt refunding bonds

The U.S. Treasury Department and IRS today released [proposed regulations](#) (REG-117298-21) that would amend the regulations under sections 148 and 150 relating to certain arbitrage rules and definitions applicable to tax-exempt and other tax-advantaged bonds to clarify the:

- Time and manner for requesting refunds of overpayment of rebate to the United States
- Special transition rule for transferred proceeds
- Limitation on allocations to expenditures
- IRS address for filing defeasance notices

The proposed regulations would also revise the provision addressing certain perpetual State guarantee funds, the definition of tax-exempt bond, and the definition of refunding issue.

The proposed regulations generally would apply to bonds sold on or after the date that is 90 days after the date the regulations are finalized. However, the removal of existing Treas. Reg. § 1.148-2(f)(2)(iv) would apply as of the date the regulations are finalized. In addition, Prop. Treas. Reg. § 1.148-3(i)(3)(i) would apply to claims arising from an issue of bonds to which Treas. Reg. § 1.148-3(i) will apply and that are filed with the IRS on or after the date the regulations are finalized, and Prop. Treas. Reg. § 1.150-5(a) would apply to notices and elections filed after the date 30 days after the date the regulations are finalized. Issuers of tax advantaged bonds may rely on Prop. Treas. Reg. § 1.150-1(b)(2), which would add the special 90-day certificate of indebtedness to the definition of tax-exempt bond for purposes of section 148, and Prop. Treas. Reg. § 1.148-1(c)(4)(ii)(E)(3), which would amend the safe harbor for longer-term working capital financings to add the special 90-day certificate of indebtedness to the definition of eligible tax-exempt bonds, prior to the applicability date of the final regulations.

Comments on the proposed regulations, and requests for a public hearing, are due May 11, 2026.

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