

TECHNICAL INFORMATION RELEASE

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FOR IMMEDIATE RELEASE

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The Treasury Department today announced that it is reconsidering its position on the tax exempt status, under section 103 of the Internal Revenue Code, of interest paid on so-called industrial development bonds.

Generally, the bonds are issued by a municipality or other political subdivision; however, the debtor, in reality, is the private corporation which will use the facility constructed with the proceeds of the bond issue.

The present position is set forth in Revenue Ruling 54-106, C.B. 1954-1, 28, Revenue Ruling 57-187, C.B. 1957-1, 65, and Revenue Ruling 63-20, C.B. 1963-1, 24.

On or about March 15, 1968, a proposed regulation concerning so-called industrial development bonds will be published in the Federal Register. Interested parties will be afforded an opportunity to submit written comments and a public hearing will be held.

The proposed regulations, when issued, will provide that such bonds will not be considered to be obligations of a State, a territory, or a possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia within the meaning of section 103(a)(1) of the Internal Revenue Code.

These regulations will only apply to such bonds sold after March 15, 1968. In applying the March 15 effective date, bonds will be considered sold on the date on which a buyer or underwriter enters into a binding contract with the issuer to purchase the bonds at a fixed price.

Accordingly, the Internal Revenue Service will publish a Revenue Ruling revoking Revenue Rulings 54-106 and 57-187, effective with respect to so-called industrial development bonds sold after March 15, 1968. In addition, it will appropriately modify Revenue Ruling 63-20 with respect to such bonds sold after March 15, 1968.

The principles contained in Revenue Rulings 54-106, 57-187 and 63-20 will apply to so-called industrial development bonds sold on or before March 15, 1968. However, these Revenue Rulings do not take into account the effect of provisions making the redemption of such bonds mandatory in the event that legislation is enacted, a regulation is promulgated, or a Revenue Ruling is issued affecting the tax exempt status of interest paid on such bonds.