



Office of Audit

**Treasury
Inspector
General for Tax
Administration**



Recovery Act

INITIAL PUBLISHED GUIDANCE FOR AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 BONDS WAS COMPLETE, ACCURATE, AND CONSISTENT

Issued on March 16, 2010

Highlights

Highlights of Report Number: 2010-11-035 to the Internal Revenue Service Chief Counsel and Commissioner for the Tax Exempt and Government Entities Division.

IMPACT ON TAXPAYERS

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorizes new and expanded bond financing subsidies of more than \$57.8 billion. However, this figure could be much higher because one type of tax credit bond, known as Build America Bonds, was not given a limit. These financing subsidies enable State and local governments to borrow at lower costs for capital projects and also target programs for schools and energy projects. The Internal Revenue Service (IRS) quickly published guidance to help bond issuers understand how to issue tax-exempt and tax credit bonds intended to stimulate the economy by preserving and creating jobs.

WHY TIGTA DID THE AUDIT

The Recovery Act contains spending and tax provisions of \$787 billion over 10 years and is intended to preserve and create jobs, reduce home foreclosures and college costs, provide health insurance and unemployment benefits, promote critical public infrastructure investment, and stabilize the budgets of State and local governments. The overall objective of this review was to determine whether IRS published guidance was complete, accurate, and consistent to allow issuance of tax-exempt and tax credit bonds in accordance with the Recovery Act.

WHAT TIGTA FOUND

The initial guidance published by the IRS in the form of notices was complete, accurate, and consistent with the tax-exempt and tax credit bond requirements of the Recovery Act. The notices provided information to help bond issuers understand how to

issue tax-exempt and tax credit bonds as provided for by the Recovery Act.

In addition, IRS management plans to update expiring Recovery Act guidance and provide supplemental information in the form of published guidance by June 30, 2010.

WHAT TIGTA RECOMMENDED

There were no recommendations in this report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201011035fr.pdf>.

*Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>*

Phone Number: 202-622-6500