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IRS Rewrites the Internal Revenue Manual Section on Closing Agreements for Tax-Advantaged Bonds: Squire Patton Boggs

You have been waiting all weekend to hear the news, so we will get straight to the point. It took three years, but the IRS finally corrected the brain-melter that we posted a few days ago, making fairly comprehensive changes to Part 4, Chapter 81, Section 6 of the Internal Revenue Manual (IRM 4.81.6), titled "Closing Agreements," on February 20, 2019. Exciting, is it not?

As we've discussed before, the Internal Revenue Manual provides detailed rules for calculating the taxpayer exposure that must be paid on an issue that is taken into VCAP or that is ensnared in an audit that reveals a problem with the bonds. Once the issuer calculates the taxpayer exposure amount for each affected year, the issuer must be future-valued forward in time or present-valued back in time to the date on which the issuer enters into a closing agreement with the IRS to fix the problem with the bonds.

The IRS rewrote the example from the weekend into the imperative mood, making it somewhat less incomprehensible.[1]

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By Alexis Baker on March 4, 2019

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