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Reminder: New IRS Issue Price Rules Go Into Effect June 7.

The value at which a bond's price is determined at issuance is important to issuers of tax-exempt governmental debt because it is essential for determining the yield of a tax-exempt bond issue for arbitrage compliance purposes. It is also important for matters of compliance when a certain threshold is determined for the use of the proceeds—such as bank-qualified debt or voter-authorized debt. The final IRS issue price regulations are significantly different from prior regulations, which determined issue price by a reasonable expectation standard, established as the "first price at which a substantial amount of the bonds is reasonable expected to be sold to the public." This definition will change to the price at which bonds are actually sold to the public and it applies to bonds issued on or after June 7, 2017.

Ultimately, the documentation to accompany the debt issue, including underwriter certifications, Notice of Sale, and pricing wires will be required to establish issue price and should be should be discussed between the issuer, the issuer's municipal advisor, bond counsel, and the underwriter in advance of the sale. GFOA encourages state and local governments to consult bond counsel as to how these changes may impact upcoming bonds sales. Stay tuned in the next couple weeks for a member alert on the final rules and likely impact to issuers.

Government Finance Officers of America

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