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IRS FY2018 Update: Effect of Sequestration on State & Local Government Filers of Form 8038-CP.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration.

Refund payments processed on or after October 1, 2017 and on or before September 30, 2018 are reduced by the fiscal year 2018 sequestration rate of 6.6 percent, regardless of when the amounts claimed by an issuer on any Form 8038-CP was filed with the IRS. The sequestration reduction rate will be applied until a law is enacted that cancels or otherwise impacts sequestration.

These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which the issuer elected to receive a direct credit subsidy pursuant to section 6431.
Issuers should complete Form 8038-CP in the manner provided by the Form 8038-CP Instructions, and will be notified through correspondence that a portion of their requested payment was subject to the sequester reduction.

Issuers with any questions about the status of refunds claimed on Form 8038-CP, including any sequester reduction, should contact IRS Customer Account Services at 1-877-829-5500.

Yearly Sequestration Rate Reduction

Fiscal Year (October 1 thru September 30) Sequestration Rate Reduction

2018 6.6%
2017 6.9%
2016 6.8%
2015 7.3%
2014 7.2%
2013 8.7%

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