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Tax Analysts: Proposed Exempt Bond Regs Restrictive and Punitive, Lawyers Say

Proposed arbitrage bond regulations that await finalization by the IRS and Treasury would hurt entities that rely on tax-exempt financing, according to lawyers.

Those lawyers, speaking at a July 30 IRS hearing on the proposed regulations, asked for the withdrawal of a proposed amendment to the allocation of expenditures rule under section 148 because they said it would create an unnecessary restriction on tax-exempt project financing.

The proposed regs (REG-117298-21), issued March 11, would update the tax-exempt bond procedure. The proposed amendment to section 148 would clarify “that to allocate funds from a specific source to an expenditure, those funds must be held by or on behalf of the issuer on the date of the cash outlay.”

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Tax Analysts

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