

This is Google's [cache](http://www.irs.gov/tax_regs/rra-3105.html) of http://www.irs.gov/tax_regs/rra-3105.html.

Google's cache is the snapshot that we took of the page as we crawled the web.

The page may have changed since that time. Click here for the [current page](#) without highlighting.

Google is not affiliated with the authors of this page nor responsible for its content.

Tax Regs in Plain English

IRS Restructuring and Reform Act of 1998

3105 - Administrative Appeal of Adverse Determination of Tax Exempt Status of Bond Issue

[\[Click for Text Only Version \]](#)

Section 3105

A. Provision(s) covered: Section 3105 Administrative Appeal of Adverse Determination of Tax-Exempt Status of Bond Issue.

B. Background: If the Service determines that interest on debt incurred by State or local governments is not excludable from gross income, the issuer of the debt does not have a statutory right to litigate the Service's determination in court. Congress believed that the issuers, who have a strong incentive to ensure retention of tax-exempt status of the bonds, should have the opportunity to challenge IRS revocations of the tax-exempt status of the bonds and protect the holders of the bonds and the market. The Senate amendment to the Restructuring Act would have granted jurisdiction to the United States Tax Court to review the Service's adverse determination in a declaratory judgement proceeding by issuers of the debt under section 7478 of the Code.

C. Change(s): In lieu of the Senate amendment, the conference agreement directs the Service to modify its administrative procedures to allow tax-exempt bond issuers to appeal an adverse examination determination to the Appeals Division of the IRS as a matter of right. The conference agreement directs that the appeals be heard by senior appeals officers having experience in resolving complex cases.

D. Impact: The issuers of tax-exempt bonds, following an adverse examination

determination, will have the right to protest the determination to the Appeals Division, before the interest on the bonds is declared taxable.

E. Necessary Actions

1. Establish procedures setting out the responsibilities of issuers, EO, Appeals, and Counsel. The procedures will likely require a fully developed factual submission by exam and the issuer as part of the process. CC:DOM:FI&P, CC:DOM:FS:FI&P, and OP:E:EO will work with Appeals to draft the procedures.
2. Develop a form to advise issuers that, if protest to Appeals is desired, the timeframe in which the issuers must exercise that option.
3. Form a team to begin work on drafting the procedures and determine the immediate training to be provided to Appeals.
4. Things we CANNOT do: The IRS may not issue statutory notices of deficiency based on adjustments to tax-exempt interest following a determination that interest on the bonds is not tax-exempt without first allowing the issuer to protest the determination to Appeals. Examiners may not advise taxpayers that there is no administrative appeal of their adverse determination.
5. Things we CAN do: Advise issuers of bonds that they are entitled to an administrative appeal if EO determines that the bonds are not qualified as tax-exempt.

F. Other Special Comments: Issues that must be addressed prior to establishing the procedures: At what point in the administrative review of the tax-exempt status of bonds does an adverse examination determination occur that permits issuers the right to file a protest to Appeals? Since bonds may not be determined to be partially tax-exempt, what types of settlement terms might Appeals consider?

Questions and Answers

[Tax Stats](#) | [Tax Info For You](#) | [Tax Info For Business](#) | [Electronic Services](#)
[Taxpayer Help & Ed](#) | [Tax Regs In English](#) | [IRS Newsstand](#) | [Forms & Pubs](#)
[What's Hot](#) | [Meet The Commissioner](#) | [Comments & Help](#) | [Site Tree](#)

[Previous]

[Next]

[Home]

[Search]

[Help!]

[Email]

Friday, 11-Feb-2000 22:11:23 EST