



**National Association
of Bond Lawyers**

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May 31, 2007

Courier's Desk
Internal Revenue Service
Attn: CC:PA:LPD:PR (Notice 2007-41)
1111 Constitution Avenue, N.W.
Washington, D.C. 20024

RE: Notice 2007-41 – 2007-2008 Guidance Priority List

Dear Sir or Madam:

The National Association of Bond Lawyers (NABL) appreciates the invitation for public comment on recommendations for items to be included on the Treasury-Internal Revenue Service (IRS) 2007-2008 Guidance Priority List, as announced in Notice 2007-41.

NABL would welcome the opportunity to provide further input as this year's plan is formulated. Please feel free to contact me at (949) 725-4237 or through email at clew@sycr.com or Elizabeth Wagner, Director Governmental Affairs, at (202) 682-1498 or through email at ewagner@nabl.org.

Again, thank you for inviting public comments to identify tax issues for the Treasury/IRS plan.

Sincerely,

Carol L. Lew

Enclosure

cc: Eric Solomon
Michael J. Desmond
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National Association of Bond Lawyers

RECOMMENDATIONS
BY THE
NATIONAL ASSOCIATION OF BOND LAWYERS
FOR THE
DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
AND THE
INTERNAL REVENUE SERVICE
2007-2008 GUIDANCE PRIORITY LIST

In response to Notice 2007-41, the National Association of Bond Lawyers (“NABL”) respectfully suggests that the following items¹ be included in the Department of the Treasury, Office of Tax Policy and Internal Revenue Service 2007-2008 Guidance Priority List:

1. Simplify and clarify the Treasury Regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) relating to the arbitrage restrictions on variable rate advance refunding issues hedged by LIBOR swaps by permitting yield reduction payments, simplifying the computation of bond yield for variable rate advance refundings, simplifying the identification requirement for hedges, and providing other clarifications and simplifications of the treatment of hedges for arbitrage purposes. NABL provided comments with respect to these issues in letters to the Department of the Treasury, dated April 12, 2006 and April 24, 2007.
2. Update Revenue Procedure 97-14, 1997-1 C.B. 634, to provide “safe harbor” relief for federally sponsored research agreements subject to the Bayh-Dole Act, 35 U.S.C. Section 200 et seq., and the terms and conditions set forth in the regulations implementing the Bayh-Dole Act, 37 CFR 401 et seq. NABL provided comments and suggestions for this type of relief to the Department of the Treasury in a comment letter, dated November 7, 2006.
3. Provide additional guidance on the “issue price” of tax exempt obligations for purposes of the Treasury Regulations promulgated under Section 148 of the Code. NABL provided comments and suggestions for this type of guidance to the Department of the Treasury in a comment letter, dated August 25, 2006.
4. Provide other miscellaneous “clean-up” and simplifying amendments to the Treasury Regulations under Section 148 of the Code, including but not limited to the following:
 - Amend the “yield-to-call” test in Treas. Reg. §1.148-4(b)(3)(i) to apply on a bond-by-bond basis;

¹ One should not imply order of priority or importance from the listing order below.

- Expand the scope of Treas. Reg. §1.148-5(b)(2)(iv) single investment treatment to cover equity funded defeasance escrows;
- Expand the definition of the term "refunding escrow" to include one or more funds funded exclusively with equity funds and not proceeds of a refunding issue;
- Clarify the treatment of grants from bond proceeds as capital or working capital expenditures;
- Delete the prohibition on directly or indirectly financing working capital reserves for TRAN issues contained in Treas. Reg. §1.148-1(c)(4)(ii);
- Clarify the interrelationship between Treas. Reg. §1.148-5(d)(2) and (d)(3), in particular the last sentence of (d)(3)(i) relating to when fair market valuation is required for yield restricted investments;
- Clarify whether payments of principal and interest on purpose investments are sale proceeds or investment proceeds;
- Expand Revenue Procedure 95-47, 1995-2 C.B. 417, to permit State and local governments to make rebate payments to the Department of the Treasury in connection with the issuance of new advance refunding bond issues when the SLGs window is closed on the date such bonds are priced;
- Clarify that the use of certain electronic bidding platforms for bidding guaranteed investment contracts is within the safe harbor of Treas. Reg. §1.148-5; and
- Better unify and simplify the separate yield reduction and rebate payment regimes under Treas. Reg. §1.148-2 and §1.148-3. A letter containing NABL's suggestions and recommendations in this area was furnished to the Department of the Treasury on December 5, 2006.

5. Provide final guidance on the definition of "solid waste disposal facilities" for purposes of Section 142 of the Code. NABL provided comments on the Proposed Regulations to the Department of the Treasury, dated August 9, 2004.

6. Provide a "safe harbor" for recordkeeping requirements applicable to issuers of tax-exempt bonds. A letter containing NABL's suggestions and recommendations in this area was furnished to the Department of the Treasury, dated March 13, 2007.

7 Provide further guidance on the definition of "essential governmental function" under Section 7871 of the Code. A letter containing NABL's suggestions and recommendations in this area was furnished to the Department of the Treasury, dated February 8, 2007.

8. Provide guidance on the application of the arbitrage regulations promulgated under Section 148 of the Code to Qualified Zone Academy Bonds issued under Section 1397E of the Code.

9. Provide proposed regulations or other additional guidance describing the tax rules applicable to Clean Renewable Energy Bonds.

10. Review and update the Treasury Regulations implementing the public hearing and approval requirements of Section 147(f) of the Code to address post-issuance compliance, and clarify and expand the scope of the insubstantial deviation exception. For example, post-issuance hearings should be permitted in instances in which the nature of a project unexpectedly changes after the bonds are issued. The change in use regulations, including Treas. Reg. §1.141-12(e) and (f), have embraced similar concepts relating to post-issuance hearings. NABL has provided its comments and recommendations on this matter in a letter to the Department of the Treasury, dated January 24, 2007.

11. Provide final guidance with respect to allocation and accounting under Section 141 of the Code. NABL has provided its comments and recommendations on the Proposed Regulations in a letter to the Department of the Treasury, dated December 22, 2006.

12. Provide final guidance with respect to the treatment of payments in lieu of taxes under the “private security or payment” test of Treas. Reg. §1.141-4. NABL is currently working on a comment project on this matter, and will have its comments to the Department of the Treasury in the near future.