

TAX-EXEMPT BOND COMPLIANCE

experience **insight** // Tax-exempt bonds are subject to complex regulations—both at the time of issuance and for as long as the bonds remain outstanding. Understanding these requirements and retaining documentation of compliance for years or even decades can be a significant challenge. **BKD National Health Care Group can help.** Our experience with these issues can help you feel confident your organization is prepared to demonstrate regulatory compliance in the case of an IRS audit.

BKD NATIONAL HEALTH CARE GROUP

BKD is one of the nation’s premier health care accounting and consulting firms. We’ve provided services to hospitals since the 1940s and serve approximately 1,050 hospitals and health systems throughout the United States. We draw on this industry expertise to assist your organization in many areas, including compliance with tax-exempt bond regulations. Here’s how we can help:

COMPLIANCE SOLUTIONS // Many issuers face significant risk in this area because most tax-exempt bonds will remain outstanding for many years. Failure to comply with the myriad federal requirements could jeopardize the bonds’ preferential tax status. The costs of noncompliance can be high; let BKD help your organization organize, support and develop the necessary policies and operational procedures.

BOND DOCUMENTATION // When tax-exempt bonds are issued, it takes experienced people to gather, analyze and document compliance with tax regulations. BKD can assist you in the initial setup and organization of your bond files and calculations—including bond transcripts, copies of contracts and agreements, arbitrage filings, annual private business use calculations and documentation of bond-related education. We also can help you coordinate financial, legal and facility records and effectively document compliance.

POST-ISSUANCE POLICIES // Tax-exempt financing is a primary capital source for exempt entities. If your organization does not have formal policies and procedures related to post-issuance compliance for tax-exempt bonds, we can assist you. Once completed, your team will have an annual calendar of tasks related to updating bond records and maintaining compliance.

BOND EXPENDITURE ANALYSIS // BKD can help you track investments and expenditure of bond proceeds by developing an accurate schedule of bond-financed property. Clearly identifying the allocated use of bond proceeds can be challenging, but if properly managed, the task does not have to be onerous.

PRIVATE BUSINESS USE // The IRS imposes strict limits on private use of proceeds from the sale of tax-exempt bonds. Private use exceeding these limits may cause tax-exempt bonds to become taxable—and, in extreme cases, could jeopardize an organization’s tax-exempt status. Private use of facilities and equipment financed with tax-exempt bonds requires ongoing monitoring to ensure the organization stays within allowable limits. BKD can work with you to gather necessary data by reviewing contracts, leases and arrangements with private parties related to the use of bond-financed facilities and conducting a walkthrough to evaluate other potential private use activities.

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