Invested in America

March 1, 2019

Internal Revenue Service
CC:PA:LPD:PR (REG–141739–08)
Room 5203
P.O. Box 7604
Ben Franklin Station,
Washington, DC 20044

Re: REG–141739–08: Reissuance of State or Local Bonds

Ladies and Gentlemen:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates this opportunity to respond to the notice of proposed rulemaking (the "Notice")[2] issued by the Internal Revenue Service (the "IRS") in which the IRS is requesting comment on proposed regulations that address when tax-exempt bonds are treated as retired for the purposes of section 103 and sections 141 through 150 of the Internal Revenue Code (Code).

SIFMA's key concern regarding the proposed regulations in the Notice is the elimination of the ability of a state or local government to issue tax-exempt premium bonds upon a fixed rate conversion to maturity, without such change being deemed a significant modification that will result in a reissuance. Particularly in a rising interest rate environment, as a result of the de minimis rule, investors have an incentive to purchase premium bonds.[3] A rough estimate of the cost to a municipal

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1 SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

2 83 Fed. Reg. 67701 (Dec. 31, 2018).

3 *See, e.g.:* https://www.pimco.com/en-us/resources/education/understanding-the-de-minimis-tax-rule

New York | Washington
120 Broadway, 35th Floor | New York, NY 10271-0080 | P: 212.313.1200 | F: 212.313.1301
www.sifma.org

securities issuer, of issuing par bonds instead of premium bonds, is approximately a 30-60 basis point differential on a 30-year level debt service structure.

If you have any questions, or would like to discuss this further, please do not hesitate to contact me at (212) 313-1130.

Sincerely yours,

Leslie M. Norwood
Managing Director and
Associate General Counsel

cc: John J. Cross III, Associate Tax Legislative Counsel, U.S. Department of the Treasury
Spence Hanemann, Office of Associate Chief Counsel, Financial Institutions & Products, Internal Revenue Service