

issues. D's allocation is unreasonable because, if permitted, would result in more than 10 percent of the proceeds of the 2001 bonds being used for a private business use.

5. Section 1.141-15 is amended by revising paragraphs (b)(1), (c), (d) and (h) and adding paragraph (j) to read as follows:

**§ 1.141-15 Effective dates.**

\* \* \* \* \*

(b) *Effective Dates*—(1) *In general.* Except as otherwise provided in this section, §§ 1.141-0 through 1.141-6(a), 1.141-9 through 1.141-12, 1.141-14, 1.145-1 through 1.145-2(c), and the definition of bond documents contained in § 1.150-1(b) (the 1997 regulations contained in 26 CFR Part 1, revised as of April 1, 2003) apply to bonds issued on or after May 16, 1997, that are subject to section 1301 of the Tax Reform Act of 1986 (100 Stat. 2602).

\* \* \* \* \*

(c) *Refunding bonds.* Except as otherwise provided in this section, the 1997 regulations (contained in 26 CFR Part 1, revised as of April 1, 2003) do not apply to any bonds issued on or after May 16, 1997, to refund a bond to which those regulations do not apply unless—

(1) The refunding bonds are subject to section 1301 of the Tax Reform Act of 1986 (100 Stat. 2602); and

(2)(i) The weighted average maturity of the refunding bonds is longer than—

(A) The weighted average maturity of the refunded bonds; or

(B) In the case of a short-term obligation that the issuer reasonably expects to refund with a long-term financing (such as a bond anticipation note), 120 percent of the weighted average reasonably expected economic life of the facilities financed; or

(ii) A principal purpose for the issuance of the refunding bonds is to make one or more new conduit loans.

(d) *Permissive application of regulations.* Except as provided in paragraph (e) of this section, the 1997 regulations (contained in 26 CFR Part 1, revised as of April 1, 2003) may be applied in whole, but not in part, to actions taken before February 23, 1998, with respect to—

(1) Bonds that are outstanding on May 16, 1997 and subject to section 141; or

(2) Refunding bonds issued on or after May 16, 1997 that are subject to 141.

\* \* \* \* \*

(h) *Permissive retroactive application.* Except as provided in paragraphs (d), (e) or (i) of this section, §§ 1.141-1 through 1.141-6(a), 1.141-7 through 1.141-14, 1.145-1 through 1.145-2, 1.149(d)-1(g), 1.150-1(a)(3), the definition of bond

documents contained in § 1.150-1(b) and § 1.150-1(c)(3)(ii) may be applied by issuers in whole, but not in part, to—

(1) Outstanding bonds that are sold before the date of publication of final regulations in the **Federal Register**, and subject to section 141; or

(2) Refunding bonds that are sold on or after the date of publication of final regulations in the **Federal Register**, and subject to section 141.

\* \* \* \* \*

(j) *Effective dates for certain regulations relating to refundings.* Except as otherwise provided in this section, §§ 1.141-13, 1.145-2(d), 1.149(d)-1(g), 1.150-1(a)(3) and 1.150-1(c)(3)(ii) apply to bonds that are sold on or after the date of publication of final regulations in the **Federal Register** and that are subject to the 1997 regulations (contained in 26 CFR Part 1, revised as of April 1, 2003).

6. Section 1.145-0 is amended by adding an entry to the table in numerical order for § 1.145-2(d) to read as follows:

**§ 1.145-0 Table of contents.**

\* \* \* \* \*

**§ 1.145-2 Application of private activity bond regulations.**

\* \* \* \* \*

(d) Issuance costs financed by prior issue.

\* \* \* \* \*

7. In § 1.145-2, paragraph (d) is added to read as follows:

**§ 1.145-2 Application of private activity bond regulations.**

\* \* \* \* \*

(d) *Issuance costs financed by prior issue.* Solely for purposes of applying the private business use test to a refunding issue under § 1.141-13, the use of proceeds of the prior issue (or any earlier issue in a series of refundings) to pay issuance costs of the prior issue (or the earlier issue) is treated as a government use.

8. Section 1.149(d)-1 is amended by revising paragraph (g) and adding paragraph (h) to read as follows:

**§ 1.149(d)-1 Limitations on advance refundings.**

\* \* \* \* \*

(g) *Limitation on advance refundings of private activity bonds.* Under section 149(d)(2) and this section, interest on a bond is not excluded from gross income if any portion of the issue of which the bond is a part is issued to advance refund a private activity bond (other than a qualified 501(c)(3) bond). For this purpose, the term private activity bond—

(1) Includes a qualified bond described in section 141(e) (other than a qualified 501(c)(3) bond), regardless of whether the refunding issue consists of private activity bonds under § 1.141-13; and

(2) Does not include a taxable bond.

(h) *Effective dates*—(1) *In general.* Except as provided in this paragraph (h), this section applies to bonds issued after June 30, 1993, to which §§ 1.148-1 through 1.148-11 apply, including conduit loans that are treated as issued after June 30, 1993, under paragraph (b)(4) of this section. In addition, this section applies to any issue to which the election described in § 1.148-11(b)(1) is made.

(2) *Special effective date for paragraph (b)(3).* Paragraph (b)(3) of this section applies to any advance refunding issue issued after May 28, 1991.

(3) *Special effective date for paragraph (f)(3).* Paragraph (f)(3) of this section applies to bonds sold on or after July 8, 1997 and to any issue to which the election described in § 1.148-11(b)(1) is made. See § 1.148-11A(i) for rules relating to certain bonds sold before July 8, 1997.

(4) *Special effective date for paragraph (g).* See § 1.141-15 for the applicability date of paragraph (g) of this section.

9. Section 1.150-1 is amended by revising paragraphs (a)(3) and (c)(3)(ii) to read as follows:

**§ 1.150-1 Definitions.**

(a) \* \* \*

(3) *Exceptions to general effective date.* See § 1.141-15 for the applicability date of the definition of bond documents contained in paragraph (b) of this section and the effective date of paragraph (c)(3)(ii) of this section.

\* \* \* \* \*

(c) \* \* \*

(3) \* \* \*

(ii) *Exceptions.* This paragraph (c)(3) does not apply for purposes of sections 141, 144(a), 148, 149(d) and 149(g).

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