

Part III - Administrative, Procedural, and Miscellaneous

Qualified Zone Academy Bond Allocations for 2008 and 2009

Notice ~~2009-30~~

SECTION 1. PURPOSE

This Notice sets forth the maximum face amount of Qualified Zone Academy Bonds (“QZABs”) that may be issued for each State for each of the calendar years 2008 and 2009 under § 54E(c)(2) of the Internal Revenue Code. Under § 54A(e)(3), the term State includes the District of Columbia and any possession of the United States. This Notice also provides certain interim guidance for QZABs issued after October 3, 2008.

SECTION 2. BACKGROUND

.01 INTRODUCTION

Section 313 of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Div. C of Pub. L. No. 110-343, 122 Stat. 3765 (2008) (“Act”) added new § 54E, which provides revised program provisions for QZABs in lieu of the existing provisions under §1397E, effective for obligations issued after October 3, 2008. The Act amended

proceeds of the issue. Section 54E(d)(4) defines “qualified contributions” as any contribution (of a type and quality acceptable to the eligible local education agency) of: (A) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment); (B) technical assistance in developing curriculum or in training teachers to promote appropriate market driven technology in the classroom; (C) employees’ services as volunteer mentors; (D) internships, field trips, or other educational opportunities outside the academy; or (E) any other property or service specified by the eligible education agency. Section 54E(d)(2) defines “eligible local education agency” as any local educational agency as defined in § 9101 of the Elementary and Secondary Education Act of 1965.

Section 54E(c)(2) provides that the Department of the Treasury shall allocate the national zone academy bond limitation among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

Under § 54E(c)(3), the maximum aggregate face amount of bonds issued during any calendar year which may be designated as QZABs with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy for such calendar year. However, under § 54E(c)(4)(A), if for any calendar year the limitation amount for any State exceeds the amount of bonds issued during such year which are designated QZABs with respect to qualified zone academies within such

State, the limitation amount for such State for the following calendar year shall be increased by the amount of such excess. Under § 54E(c)(4)(B), however, any carryforward of a limitation amount may be carried only to the first 2 years following the unused limitation year. For these purposes, the limitation amount shall be treated as used on a first-in first-out basis.

Section 54E(c)(4)(C) applies the rules under §§ 54E(c)(4)(A) and (B) to QZABs issued after October 3, 2008, under a carryforward of an unused limitation to calendar years 2008 or 2009 that initially arose in a prior year under § 1397E(e)(4). Any such carryforward is treated as though it were a carryforward that initially arose under § 54E in that prior year.

Sections 1.1397-1 (the “Final Regulations”) and 1.1397-1T (the “Temporary Regulations”) set forth regulations that were issued under § 1397E. Except as provided in this Notice, or to the extent inconsistent with §§ 54A and 54E, the Final Regulations and the Temporary Regulations apply to QZABs issued under §§ 54A and 54E.

SECTION 3. INTERIM GUIDANCE AND RELIANCE

.01 GENERALLY

Pending the promulgation and effective date of future administrative or regulatory guidance, taxpayers may rely on the interim guidance provided in this Notice and, to the extent not inconsistent with this Notice and the provisions of §§ 54A and 54E, the existing regulations issued under § 1397E.

.02. CREDIT RATE

For QZABs issued under §§ 54A and 54E, the maximum maturity and the credit

rate are determined as of the date that there is a binding, written contract for the sale or exchange of the bond. The applicable maximum maturity and the QZAB credit rate are published for that date by the Bureau of Public Debt on its Internet site for State and Local Government Series securities at: <http://www.treasurydirect.gov>. For further information regarding the methodology and procedures that the Treasury Department uses to determine these credit rates, see Notice 2009-15, 2009-6 I.R.B. 449 (February 9, 2009).

.03 SINKING FUND YIELD

Section 54A(d)(4)(C) provides that an issue shall not be treated as failing to meet the requirements of § 148 by reason of any fund which is expected to be used to repay the issue if: (i) the fund is funded at a rate not more rapid than equal annual installments; (ii) the fund is funded in a manner reasonably expected to result in an amount not greater than an amount necessary to repay the issue; and (iii) the yield on such fund is not greater than the discount rate determined under § 54A(d)(5)(B) (the “permitted sinking fund yield”).

The permitted sinking fund yield is determined under § 54A(d)(5)(B) by using a rate equal to 110 percent of the long-term adjusted, applicable federal rate (“AFR”), compounded semiannually, for the month in which the bond is sold. The IRS publishes the long-term adjusted AFR, compounded semiannually, each month in a revenue ruling that is published in the Internal Revenue Bulletin. The Bureau of Public Debt publishes the permitted sinking fund yield for each month on its Internet site for State and Local Government Series securities at <https://www.treasurydirect.gov>.

SECTION 4. NATIONAL ZONE ACADEMY BOND LIMITATION FOR 2008

The national limitation for QZABs issued under § 54E for calendar year 2008 is

Nebraska	1,931,000
Nevada	2,702,000
New Hampshire	901,000
New Jersey	7,296,000
New Mexico	3,493,000
New York	25,720,000
North Carolina	12,600,000
North Dakota	741,000
Ohio	14,651,000
Oklahoma	

Qualified Zone Academy Bond Allocations by State or Territory, 2009

<u>State or Territory</u>	<u>QZAB Allocation (in dollars)</u>
Alabama	26,621,000
Alaska	2,102,000
Arizona	30,859,000
Arkansas	17,233,000
California	155,275,000
Colorado	19,930,000
Connecticut	9,422,000
Delaware	3,082,000
DC	3,222,000
Florida	75,623,000
Georgia	46,376,000
Hawaii	3,503,000
Idaho	6,235,000
Illinois	52,401,000
Indiana	26,551,000
Iowa	11,139,000
Kansas	10,508,000
Kentucky	25,009,000
Louisiana	27,146,000
Maine	5,394,000
Maryland	15,902,000
Massachusetts	21,752,000
Michigan	48,232,000
Minnesota	16,883,000
Mississippi	20,386,000
Missouri	25,990,000
Montana	4,624,000
Nebraska	6,760,000
Nevada	9,457,000
New Hampshire	3,152,000
New Jersey	25,535,000
New Mexico	12,224,000
New York	90,020,000
North Carolina	44,099,000
North Dakota	2,592,000
Ohio	51,280,000
Oklahoma	19,510,000
Oregon	16,603,000
Pennsylvania	48,793,000

