

Part III - Administrative, Procedural, and Miscellaneous

Qualified Zone Academy Bond Credit Rate

Notice 99 -35

Section 1397E(b)(2) of the Internal Revenue Code provides that the Secretary shall determine a credit rate that the Secretary estimates will permit the issuance of a qualified zone academy bond without discount and without interest cost to the issuer. Temporary regulations interpreting § 1397E(b)(2) were published on January 7, 1998, as T.D. 8755 (63 Fed. Reg. 671) 1998-10 I.R.B. 21. The Treasury and IRS are issuing temporary regulations that revise T.D. 8755 to provide that guidance for ascertaining the credit rate will be set forth in procedures, notices, forms, and instructions as prescribed by the Commissioner.

The Secretary has determined that, until further notice, the credit rate for a qualified zone academy bond is the qualified zone academy bond credit rate published daily by the Bureau of Public Debt on its Internet site for State and Local Government Bonds at:

<http://www.publicdebt.treas.gov>. The qualified zone academy bond credit rate shall be applied to a qualified zone academy bond on the first day on which there is a binding contract in writing for the sale or exchange of the bond. The credit rate will be determined by the Department of the Treasury based on its estimate of the yield on outstanding AA rated corporate bonds of a similar maturity for the business day immediately prior to the date on which there is a binding contract in writing for the sale or exchange of the bond.

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