§ 1.149(g)–1 Hedge bonds.

(a) Certain definitions. Except as otherwise provided, the definitions set forth in §1.148–1 apply for purposes of section 149(g) and this section. In addition, the following terms have the following meanings:

Reasonable expectations means reasonable expectations (as defined in §1.148–1), as modified to take into account the provisions of section 149(f)(2)(B).

Spendable proceeds means net sale proceeds (as defined in §1.148–1).

(b) Applicability of arbitrage allocation and accounting rules. Section 1.148–6 applies for purposes of section 149(g), except that an expenditure that results in the creation of replacement proceeds (other than amounts in a bona fide debt service fund or a reasonably required reserve or replacement fund) is not an expenditure for purposes of section 149(g).

(c) Refundings—(1) Investment in tax-exempt bonds. A bond issued to refund a bond that is a tax-exempt bond by virtue of the rule in section 149(g)(3)(B) is not a tax-exempt bond unless the gross proceeds of that refunding bond (other than proceeds in a refunding escrow for the refunded bond) satisfy the requirements of section 149(g)(3)(B).

(2) Anti-abuse rule. A refunding bond is treated as a hedge bond unless there is a significant governmental purpose for the issuance of that bond (e.g., an advance refunding bond issued to realize debt service savings or to relieve the issuer of significantly burdensome document provisions, but not to otherwise hedge against future increases in interest rates).

(d) Effective date. This section applies to bonds issued after June 30, 1993 to which §§1.148–1 through 1.148–11 apply. In addition, this section applies to any issue to which the election described in §1.148–11(b)(1) is made.

§ 1.150–1 Definitions.

(a) Scope and effective date—(1) In general. Except as otherwise provided, the definitions in this section apply for all purposes of sections 103 and 141 through 150.