

**§ 1.148-5 Yield and valuation of investments.**

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(e) \* \* \*

(2) \* \* \*

(iii) *Special rule for guaranteed investment contracts and investments purchased for a yield restricted defeasance escrow*—(A) *In general.* An amount paid for a broker's commission or similar fee with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is a qualified administrative cost if the fee is reasonable within the meaning of paragraph (e)(2)(i) of this section.

(B) *Safe harbor.* (1) A broker's commission or similar fee with respect to the acquisition of a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow is reasonable within the meaning of paragraph (e)(2)(i) of this section if—

(i) The amount of the fee that the issuer treats as a qualified administrative cost does not exceed the lesser of \$25,000 and .2% of the computational base; and

(ii) For any issue, the issuer does not treat as qualified administrative costs more than \$75,000 in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with gross proceeds of the issue.

(2) For purposes of paragraph (e)(2)(iii)(B)(1) of this section, computational base shall mean—

(i) For a guaranteed investment contract, the amount the issuer reasonably expects as of the issue date to be deposited in the guaranteed investment contract over the term of the contract; and

(ii) For investments (other than guaranteed investment contracts) to be deposited in a yield restricted defeasance escrow, the amount of gross proceeds initially invested in those investments.

(C) *Example.* The following example illustrates an application of the safe harbor in paragraph (e)(2)(iii)(B) of this section:

*Example.* The issuer of a multipurpose issue uses brokers to purchase the following investments with gross proceeds of the issue: a guaranteed investment contract for amounts to be deposited in a debt service fund (debt service GIC), a guaranteed investment contract for amounts to be deposited in a construction fund (construction GIC), Treasury securities to be deposited in a yield restricted defeasance escrow (Treasury investments) and a guaranteed investment contract that will be used to earn a return on

what would otherwise be idle cash balances from maturing investments in the yield restricted defeasance escrow (the float GIC). The issuer uses \$8,040,000 of the proceeds to purchase the Treasury investments and deposits \$14,000,000 into the construction GIC. Over the term of the construction GIC, the issuer reasonably expects that no further deposits will be made. Over the term of the float GIC, the issuer reasonably expects that aggregate deposits of \$600,000 will be made to the float GIC. Over the term of the debt service GIC, the issuer reasonably expects that it will make aggregate deposits of \$22,000,000, plus interest on the bond issue. The brokers' fees do not exceed \$16,080 for the Treasury investments, \$25,000 for the construction GIC, \$1,200 for the float GIC, and \$25,000 for the debt service GIC. Assuming the issuer claims no further brokerage or similar fees, the issuer can claim all \$67,280 in brokerage fees for these investments as qualified administrative costs because the fees do not exceed the limitations described in paragraph (e)(2)(iii)(B) of this section.

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**Robert E. Wenzel,***Deputy Commissioner of Internal Revenue.*

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**DEPARTMENT OF THE TREASURY****Internal Revenue Service****26 CFR Part 1**

[REG-105327-99]

RIN 1545-AX03

**Qualified Zone Academy Bonds; Obligations of State and Political Subdivisions; Correction**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Correction to notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

**SUMMARY:** This document contains a correction to REG-105327-99, which was published in the **Federal Register** on Thursday, July 1, 1999 (64 FR 35579). These regulations provide guidance to holders and issuers of qualified zone academy bonds.

**FOR FURTHER INFORMATION CONTACT:** Timothy L. Jones, (202) 622-3980 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:****Background**

The notice of proposed rulemaking that is the subject of this correction is under sections 1397E and 1397F of the Internal Revenue Code.

**Need for Correction**

As published, REG-105327-99 contains an error which may prove to be misleading and is in need of clarification.

**Correction of Publication**

Accordingly, the publication of the notice of proposed rulemaking (REG-105327-99), which is the subject of FR Doc. 99-16622, is corrected as follows:

On page 35579, column 3, in the preamble, under the paragraph heading "Comments and Public Hearing", second paragraph, second line of the paragraph, the language "for November 19, 1999, beginning at 10" is corrected to read "for November 9, 1999, beginning at 10".

**Cynthia E. Grigsby,***Chief, Regulations Unit, Assistant Chief Counsel (Corporate).*

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**ENVIRONMENTAL PROTECTION AGENCY****40 CFR Part 52**

[MT-001-0011; FRL-6429-8]

**Approval and Promulgation of Air Quality Implementation Plans; Montana; Billings/Laurel Sulfur Dioxide State Implementation Plan; Extension of Comment Period**

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule; extension of the comment period.

**SUMMARY:** EPA is extending the comment period for a notice published on July 28, 1999 (64 FR 40791). In the July 28 document, EPA proposed to partially approve, conditionally approve and partially disapprove the Billings/Laurel sulfur dioxide (SO<sub>2</sub>) State Implementation Plan (SIP) revisions submitted by the State of Montana in response to a SIP Call. EPA also proposed a regulatory scheme for sanctions. At the request of several of the stationary sources controlled by the SIP, EPA is extending the comment period through September 27, 1999.

**DATES:** Comments must be received on or before September 27, 1999.

**ADDRESSES:** Mail written comments (in duplicate if possible) to Richard R. Long, Director, Air Program, Mailcode 8P-AR, Environmental Protection Agency (EPA), Region VIII, 999 18th Street, Suite 500, Denver, Colorado, 80202.