



# TaxNewsFlash

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### **Rev. Proc. 2018-26: Nonqualified uses of proceeds from tax-exempt bonds, new remedial actions**

The IRS today released an advance version of Rev. Proc. 2018-26 that provides remedial actions that issuers of state and local tax-exempt bonds—and other tax-advantaged bonds—may apply to preserve the tax-advantaged status of the bonds when nonqualified uses of the bond proceeds occur.

[Rev. Proc. 2018-26](#) [PDF 51 KB] notes that for some types of tax-advantaged bonds, existing regulations provide remedial actions to cure certain nonqualified uses of bond proceeds.

However, there are situations—for instance, nonqualified uses that generally result from longer-term leases of financed property to private businesses (other than the remedial action of bond redemption or defeasance), regarding an adjustment of the refundable federal tax credit for nonqualified uses, and that flow from certain types of tax credit bonds and for direct pay bonds—for which there have been no remedial actions to cure such nonqualified uses. Rev. Proc. 2018-26 sets forth how the issuer of the bond may cure nonqualified use in these situations.

Rev. Proc. 2018-26 applies to a nonqualified use that occurs on or after April 11, 2018, and may be applied to a nonqualified use that occurs before April 11, 2018.

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