

Attachment "A"

RE: Tax Exempt Loans to Volunteer Fire Departments

The Technical Corrections Bill (HR4333) passed by Congress in October, 1988 imposes a public approval requirement on volunteer fire departments. In order for the interest on an obligation of a qualified volunteer fire department to be exempt from federal income tax, public approval requirements must be met as follows:

1. The obligation must be approved (prior to execution) by the governmental unit with whom the volunteer fire department has a written agreement to provide fire fighting services.

This approval may be given by:

- (a) The applicable elected representative of the governmental unit (such as a mayor, county manager, etc.)
- (b) The legislative body of the governmental unit, i.e. Durham County Board of County Commissioners.
- (c) Any other elected official designated by the chief elected official.

2. Prior to approval a public hearing must be held. The applicable elected representative of the legislative body of the governmental unit may appoint any person to conduct the public hearing. It is not necessary for the legislative body or the elected representative of the governmental unit to conduct the public hearing or to be present and it is not necessary for a report to be submitted to the legislative body.

3. Prior to the public hearing (to give residents of the community an opportunity to express their views) notice must be given. This would generally involve publishing the notice in a newspaper of general circulation

in the locality of the governmental unit at least fourteen (14) days prior to the hearing. The notice would generally describe the time and place of the hearing, and the description of the issue to be discussed.

This public approval requirement applies to debt instruments issued after October 21, 1988.