The United States Conference of Mayors

Annual Business Meeting

Emily Brock, GFOA

Munis in Your Community

Exhibit 2. Projects funded by bonds by type and five year average

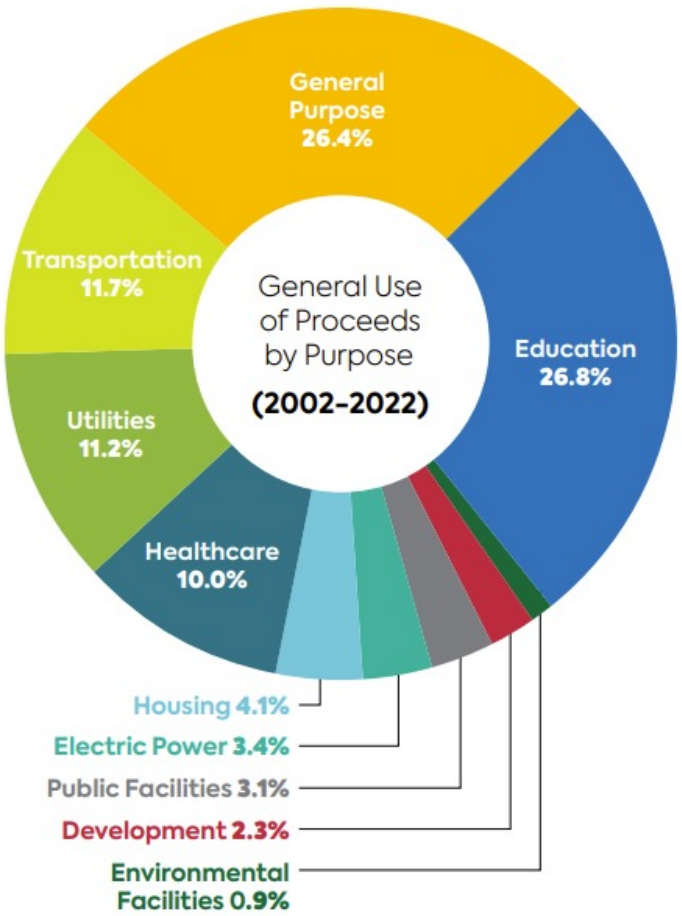
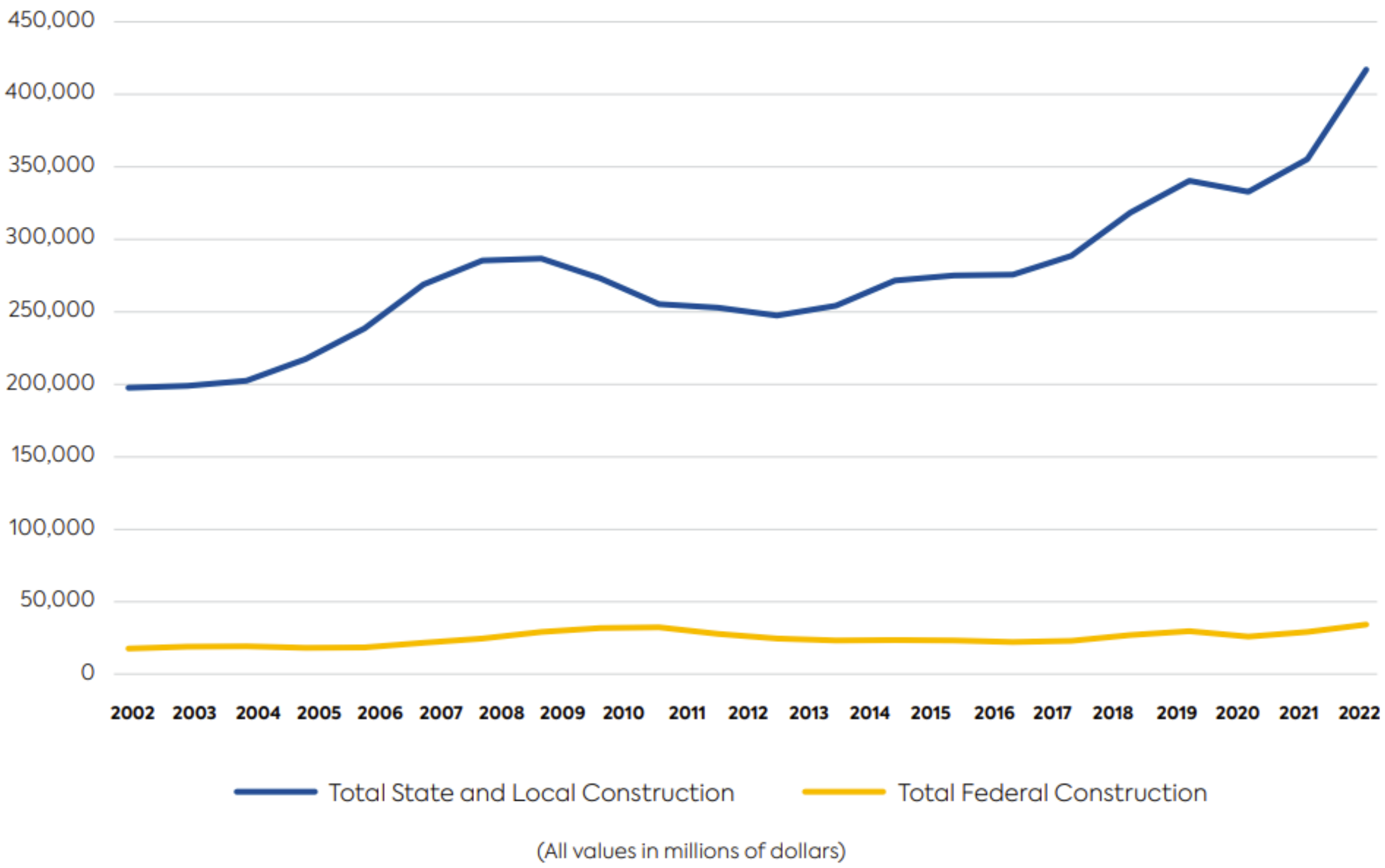


Exhibit 6. Annual Value of Public Construction Put in Place 2002-2023



SOURCE: GFOA ANALYSIS OF U.S. CENSUS BUREAU DATA ON PUBLIC CONSTRUCTION

Calls to Eliminate the Tax Exemption of Munis

- May 2024 report, "Five Rules for Fiscally Responsible, Pro-Growth Tax Reform" the **Heritage Foundation** calls the exemption for tax exempt bonds "ripe for repeal." Heritage argues that tax-exempt municipal bonds are crowding out private borrowers and that repeal would "boost the private economy and enable companies to invest more in things such as new factory equipment, product research, and other initiatives that expand worker productivity, wages, and consumer choice."

- Likewise, as part of a collected set of proposals in "Solutions Initiative 2024: Charting a Brighter Future," the conservative **American Enterprise Institute** calls for repeal as does the more liberal **Progressive Policy Institute**, the latter arguing that "most of the benefits from these tax breaks are captured by higher earners rather than by the state and local governments they are supposed to support."

- **CATO Institute** has noted on several occasions the inefficiency of the tax exemption. In particular, "Municipal bond tax exemption. Interest on state and local government bonds is tax-free under the income tax, which is a benefit slanted toward high earners. Repealing the exemption would reduce deficits by about $40 billion a year and improve investment efficiency."

We've seen this before…

- Among deficit reduction recommendation made in 2010 National Commission on Fiscal Responsibility and Reform was to tax interest on newly issued state and municipal bonds.

- Obama Administration proposed 28% cap to limit certain tax benefits, including exemption for municipal bonds

The Public Finance Network

American Hospital Association
Advancing Health in America

APA
American Planning Association
Creating Great Communities for All

ASA american securities association

ACI North America

American Public Power Association
Powering Strong Communities

American Public Gas Association

APTA

APWA
American Public Works Association

Association of Metropolitan Water Agencies

Association of Public & Land-Grant Universities

ASBO
Association of School Business Officials International

ASCE American Society of Civil Engineers

BDA Bond Dealers of America

cdfa
Council of Development Finance Agencies

CIFA

CSG The Council of State Governments

ICMA
International City/County Management Association

IMLA

LPPC
Large Public Power Council

nabl

National Association of Counties NACo

NAHEFFA
National Association of Health and Educational Facilities Finance Authorities

NACUBO

NACWA
The Voice for a Clean Water Future

NAMA
National Association of Municipal Advisors

NARC
National Association of Regional Councils

NASACT
National Association of State Auditors, Comptrollers and Treasurers

National Association of State Treasurers

NATaT
National Association of Towns and Townships

NCSL
National Conference of State Legislatures

NCSHA
National Council of State Housing Agencies

NCDA
National Community Development Association

National Governors Association

NLC
National League of Cities
Cities Strong Together

NSDA
National Special Districts Association

sifma

The United States Conference of Mayors

Water Environment Federation
the water quality people

City of Madison Resolution

- The Municipal Bond Market underpins over $4 Trillion of infrastructure across the United States. 90% of the cost of construction of public assets is borne by State and Local Governments.
- The Municipal Bond Market makes our communities livable and commerce possible. Projects financed include some of the nation’s largest infrastructure projects, but the majority fund routine, but critical investments made by small towns and rural communities.
- Loss of the Municipal Bond tax-exemption will cost every community over $825 billion in increased borrowing costs and correspondingly every American household $6,500 and more in rate increases.

City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Legislation Text

File #: 87963, **Version:** 1

Fiscal Note

This resolution urges Congress to maintain the tax exemption for interest received by investors in the City's debt. The City issues approximately $100 million to $150 million of tax-exempt municipal debt annually. Repealing the federal tax exemption on municipal debt will increase interest costs to the City to finance critical capital investments, such as for street reconstruction, stormwater management, sewer infrastructure, facilities, vehicles and equipment. Higher interest costs could result in higher taxes and fees for residents. Studies have estimated that the cost of repealing the tax exemption for municipal bond interest could increase taxes and fees for every household nationally by over $6,500.

Title

Declaring support for the preservation of the federal tax exemption for municipal bond interest.

Body

WHEREAS, the tax-exempt municipal bond market is a widely used source of capital for states, local governments, tribes, territories, and non-profit borrowers that finances a tremendous share of the nation's public infrastructure; and

WHEREAS, state and local governments finance about three-quarters of the public infrastructure in the United States and use tax-exempt bonds to do so, with the federal government providing only about one-quarter of the investment; and

WHEREAS, federal tax exemption for municipal bonds, dating back to the 1800s and incorporated into the modern tax code in 1913, has been crucial for state and local governments to affordably finance critical infrastructure projects; and

WHEREAS, tax-exempt bonds offer borrowers to achieve a multiplier effect of 2.11, meaning that for every dollar, borrowers achieve $2.11 in borrowing cost savings thereby demonstrating the efficiency and effectiveness of this exemption in facilitating infrastructure investment; and

WHEREAS, tax-exempt bonds provide for essential infrastructure projects, such as roads, bridges, utilities, broadband, water and sewer systems, and hospitals, which are vital to the health and well-being of our community such that without such bonds, the cost of borrowing would be $823.92 billion more over 10 years, thereby causing an estimated increase in taxes and fees of over $6,500 per household nationally that would place an undue burden on taxpayers; and

WHEREAS, The House Ways and Means Committee is considering eliminating municipal bond tax exemption as part of budget reconciliation and tax reform efforts; and

WHEREAS, Repealing the exemption in reconciliation legislation currently before Congress would also jeopardize Private Activity Bonds (PABs), including Mortgage Revenue Bonds (MRBs), which are essential for financing affordable housing projects that rely on the Low-Income Housing Tax Credits (LIHTCs). Losing the exemption would make it significantly harder to build or preserve housing for low- and moderate-income families-deepening the nation's housing crisis. Repeal of PABs would also impact public infrastructure projects

bonds.

RESOLVED, that the Mayor and Common Council of the City of Madison find and unicipal bonds are an essential tool for cities across Wisconsin and the United de an opportunity for economic development, infrastructure improvement, and

FURTHER RESOLVED that the Mayor and Common Council of the City of he Wisconsin Congressional Delegation to assist the City of Madison, and all sin, by preserving the tax-exempt status of municipal bonds and supporting and federal tax exemption of municipal bonds.

FINALLY RESOLVED, that copies of this Resolution shall be furnished to all ongressional Delegation.

CITY OF MADISON WISCONSIN

Three key Takeaways – BuiltByBonds.com

- The Municipal Bond Market underpins over $4 Trillion of infrastructure across the United States. 90% of the cost of construction of public assets is borne by State and Local Governments.
- The Municipal Bond Market makes our communities livable and commerce possible. Projects financed include some of the nation's largest infrastructure projects, but the majority fund routine, but critical investments made by small towns and rural communities.
- Loss of the Municipal Bond tax-exemption will cost every community over $825 billion in increased borrowing costs and correspondingly every American household $6,500 and more in rate increases.