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[Public Power Utilities Support Retention of Tax Exemption for Bonds.]

More than 450 public power utilities have sent a [letter] to congressional Republican leaders and administration officials in support of their decision to retain the current-law tax exemption for municipal bonds in a tax reform framework announced by President Donald Trump in September.

“We the undersigned public power utilities are writing today to express our strong support for your decision to retain the current-law tax exemption for municipal bonds in the ‘United Framework for Fixing Our Broken Tax Code,’” the utilities wrote in their letter, which was released by the American Public Power Association on Oct. 20.

The Sept. 27, 2017, “United Framework for Fixing Our Broken Tax Code” does not specifically mention municipal bonds, but administration officials briefing reporters on its details clarified that the framework would leave intact the current-law tax exemption for municipal bond interest.

The letter was sent to the six leaders who negotiated the framework: Treasury Secretary Stephen Mnuchin, National Economic Council Director Gary Cohn, House Speaker Paul Ryan, R-Wis., Senate Majority Leader Mitch McConnell, R-Ky., House Ways and Means Committee Chairman Kevin Brady, R-Texas, and Senate Finance Committee Chairman Orrin Hatch, R-Utah.

“Tax-exempt municipal bonds are the most efficient tool for financing public infrastructure investments, benefitting all state and local residents,” the public power utilities wrote in their letter. “Tax-exempt municipal bonds finance maintenance and construction of roughly three-quarters of the nation’s core infrastructure: investments that make our communities livable and commerce possible. Simply put, bonds build America,” the utilities went on to say.

The letter noted that public power utilities rely on municipal bonds to cost-effectively raise capital needed to build, maintain, and improve generation, transmission, and distribution facilities that serve their communities.

“These projects require substantial upfront commitments of capital, but also tend to have long useful lives,” the utilities wrote. “Bonds are a responsible way to finance these costs and repay them over time: this allows the investments to be made, while ensuring that those customers benefiting from the investment are paying for them. In fact, over the last decade, public power utilities have used tax-exempt municipal bonds to finance more than 1,200 projects worth $97 billion,” the letter pointed out.

The public power utilities said that nationwide, “had public power utilities been forced to finance their electric system investments with taxable debt, we estimate they would be paying $4.5 billion more in borrowing costs every year. This would result in increased electricity costs that would be fully borne by our customers. This extra money paid by local residents and business would do nothing to improve the electric power grid, but instead would be used to pay higher interest rates to bondholders.”

Signatories to the letter included public power utilities large and small. These utilities serve (either directly or through the wholesale supply of electricity to other public power utilities) retail electric customers in 47 states, the vast majority of the more than 49 million Americans served by public power.

“The Association coordinated this effort, but it really was member-initiated and member-driven,” noted Association President and CEO Sue Kelly. “Bonds really do build America. I am incredibly proud of the effort by public power utilities across the country to get that message out today,” she said.

American Public Power Association

by Paul Ciampoli

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