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Commentary: Muni Market Tax Reform Provisions are Reckless and Unacceptable.

To work well, public policy in a democracy must be transparent and allow time for debate, input and analysis. The House Ways and Means Committee just released its tax plan and is scheduled to have it adopted by year end. The Senate is on a similar fast track. Yet the provisions with respect to municipal bonds have broad ramifications for infrastructure development, healthcare and higher education costs and affordable housing to name a few.

The given time frame provides little opportunity for a democratic process of debate and compromise to take place. More importantly the process leaves no time for a crucial cost benefit analysis nor to account for potential negative social impacts.

The plan calls for the elimination of 501(c) (3) bonds used to provide low cost financing to hospitals, nursing homes, higher education and not-for-profits. According to industry experts there were $72.4 billion of such bonds issued in 2016. These same experts predict that eliminating tax exemption for these entities will increase borrowing costs by 25 to 30%.

Take for example nursing homes and assisted living facilities. According to the Census Bureau the nation's 65 and older population will reach 83.7 million people by 2050. This is double the population of 43 million as of the 2012 census. This tax plan does not account for what this will do to the cost of meeting the growing needs of this population.

We have an opioid epidemic in this country where over 50,000 to 60,000 people are losing their lives each year, and according to the New York Times the leading cause of death for Americans under 50. The president has made this a priority yet this tax proposal will assure that needed drug rehab centers will likely not get constructed.

We have a healthcare crisis in this country where cost increases at 4.89% last year well outstripped inflation. Where does Congress think higher financing costs for hospitals will be absorbed? The same question can be asked with respect to higher education as the bill will require private colleges and universities, as well as student loan providers to borrow at higher rates of interest.

The proposal will also eliminate private activity bonds that finance infrastructure. This includes projects such as airports, light rail and solid waste facilities. This is infrastructure as basic as roads and bridges and crucial to job growth and economic development. This is ironic in that private activity bonds by design promote public private partnerships needed to close the one trillion dollar infrastructure gap, a mantra of the Trump administration and the Republicans.

Another aspect of the tax plan is to eliminate advance refundings. Refunding bonds allow states, cities and schools to refinance debt, much like a homeowner refinances a mortgage when interest rates drop. Last year state and local taxpayers saved $3.0 billion as a result of this financing option.

I realize that the deficit reduction is crucial to economic growth (though this tax plan will add $1.5 trillion to the deficit over the next 10 years). However what Congress is not accounting for are the potential impacts I mention above. At a minimum these impacts must be quantified and measured against deficit reduction and viewed through the prism of social costs. The plan's timing precludes this type of comprehensive analysis. From a policymaking standpoint this is reckless and unacceptable.

The Bond Buyer

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