

Bond Case Briefs

Municipal Finance Law Since 1971

Hatch's Tax Proposal Seen Saving PABs and Advance Refundings, Killing SALT Deduction.

WASHINGTON - Senate Finance Committee chairman Orrin Hatch's tax reform proposal, which could be released as soon as Thursday, is expected to be kinder to municipal bonds and tougher on state and local governments, legislative and other sources said Wednesday.

As it stands now, the tax proposal from the Republican from Utah would not terminate private activity bonds, as has been proposed by House Republicans, Senate sources said. The proposal also might not end advance refundings, as is also proposed by the GOP bill pending before the House Ways and Means Committee.

But lobbyists and muni market participants cautioned that it is unwise to take anything for granted until the proposal is released and these provisions are in print. And legislative sources say nothing is final until the proposal — called the chairman's "mark" — is released.

At the same time, Sen. David Perdue, R-Ga., said during an interview on CNBC Wednesday that the chairman's tax proposal will completely repeal the federal deduction for state and local taxes. This would be a blow to state and local governments, especially high-tax states. The deduction is believed to be the key to governments' ability to raise taxes.

A complete repeal of the deduction would be harsher than the provision in the bill in the House Ways and Means Committee, which would allow the deduction of up to \$10,000 in annual property taxes. That bill would eliminate the deduction for state and local income and sales taxes. The committee is expected to complete voting on its tax reform bill on Thursday.

Meanwhile, Hatch said on Wednesday that Republican losses in the midterm elections could have an impact on tax reform legislation. "I mean, it could, because the elections went against the Republicans," the Washington Post quoted Hatch from a brief morning interview.

Democrats won a number of state and local seats. In gubernatorial races, Democrat Lt. Gov. Ralph Northam beat Ed Gillespie in Virginia and in Philip Murphy bested Republican Lt. Gov. Kim Guadagno in New Jersey.

Legislative experts said the tax reform bill in the Senate will be more critical than the one in the House, which could be good for muni bond supporters if PABs and advance refundings are maintained.

"At the end of the day, if there's a final bill, the Senate will have more influence in the outcome," said the source, who did not want to be identified.

Hatch and other Senate Republicans must carefully craft their tax reform proposal and ultimate bill to get 50 votes, assuming Vice President Mike Pence would cast a vote to break a tie. They cannot afford to lose more than two Republicans. The House would probably have to accept whatever bill, if any, the Senate passes in order to keep votes in the Senate.

BY SOURCEMEDIA | MUNICIPAL | 11/08/17 07:22 PM EST

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com