

# **Bond Case Briefs**

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## **KBRA: Tax Reform Proposals Impact Public Sector Tax Exemption Program.**

Over the last two weeks, both the Republican-controlled House and Senate released their proposals for tax reform. Key revenue-raising provisions in each version include elimination of the tax exemption on certain types of municipal bonds. The House passed a tax reform bill that eliminates the tax exemption on private activity bonds (PABs) and advance refunding bonds. The Senate proposed a bill that retains the tax exemption for PABs, but eliminates the tax exemption for advance refunding bonds.

While there is debate about the actual revenue impact of the provisions in these bills, one thing is clear, they will increase the cost of capital for state and local governments across the country at a time when operating budgets are constrained and growth in tax revenues is projected to be insufficient to fund critical infrastructure projects.

- Private activity bonds have been a critical component of the funding for public facilities and infrastructure for decades.
- Many high profile projects have incorporated PABs in their funding, including the Port of Miami, Presidio Parkway and the new Goethels Bridge.
- Advance refunding bonds enable state and local governments to take advantage of lower interest rates in the same way that a homeowner takes advantage of lower mortgage rates to reduce monthly mortgage payments.
- KBRA believes that the tax exemption for both PABs and advance refunding bonds help state and local governments to more effectively manage the cost of operations and fund capital projects.
- KBRA will monitor the changes made to PAB and advance refunding bond financing programs and evaluate the impact on public finances.

Please click on the link below to access the report:

[Tax Reform Proposals Impact Public Sector Tax Exemption Programs](#)

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