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Airport Operators Worry Tax Overhaul Would Ground Improvement Plans.

Local Governments Fear Plan to Tax Bond Interest Threatens Road Funding

In addition to worrying road builders, state highway officials and transit agencies, House Ways and Means Chairman Dave Camp's tax overhaul plan has struck a nerve with airport operators.

The Airports Council International – North America is lobbying against Camp's proposal to end the tax exemption for interest earned on private-activity bonds, which are a popular tool for funding such projects as airport terminal upgrades. Private activity bonds allow tax-exempt municipal bonds to be sold to finance projects by private businesses. They are frequently used in public-private partnerships .

Kevin M. Burke, the airports council's president and CEO, said ending the tax exemption for private activity bonds "creates a major disincentive for airports seeking to secure cost-effective funding for necessary capital improvement and infrastructure projects."

"As municipal issuers of private activity bonds, it is incredibly disappointing to our airport members that the House Ways and Means Committee effectively seeks to make this source of funding unnecessarily expensive and likely prohibitive in the long run," Burke said.

U.S. airports face growing competition from modern overseas airports for lucrative international traffic. Airport operators were already concerned about a law last year (PL 113-9) that redirected funds from the Airport Improvement Program to avoid air-traffic-controller furloughs (PL 113-9) stemming from the budget sequester. President Barack Obama described that action as "earning our seed corn."

Burke said U.S. airports face \$71 billion in capital needs over the next five years, much of which will be financed with municipal bonds.

"Given that we already have limited ability locally to raise funding, we cannot afford the higher interest rates that would result from such drastic changes to the municipal bond market," Burke said.

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