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Hatch: Tax Reform Top Priority, Legislation This Year.

WASHINGTON – Senate Finance Committee chairman Orrin Hatch said tax reform is his top priority and that he is aiming for bipartisan tax-reform legislation to be introduced and voted on by the committee later this year.

Meanwhile, the National Association of State Treasurers sent a letter to Hatch, R-Utah, and other leaders of the tax writing committees Tuesday urging them to preserve the tax-exemption for municipal bonds.

Speaking at the U.S. Chamber of Commerce on Tuesday, Hatch said, "I don't want just to release a framework or a proposal that doesn't go anywhere. My only goal when it comes to tax reform is to make new law."

Hatch and the top Democrat on the finance committee, Ron Wyden from Oregon, have set up five working groups on the topic, including one on community development and infrastructure.

"My hope is that the committee members in these five bipartisan working groups will use this opportunity to uncover real tax reform solutions and give us real ideas that will aid us through tax reform," Hatch said.

Addressing those who are skeptical of the intentions of the working group process, Hatch said, "This is not theater, nor is it just for show. This is a very real undertaking." The groups' endeavors should lead to the introduction of tax-reform legislation later this year, he said.

Some members of Congress have suggested using budget reconciliation to pass tax reform. Hatch said that he would prefer for items that fall under his committee's jurisdiction to be done in a bipartisan manner, but that budget reconciliation should not be taken off the table.

He also said that Congress will need to find a way to fund a highway bill, since the current funding expires at the end of May. A gas tax increase is "very unlikely" but Congress can find other solutions, whether highway funding is addressed in a standalone bill or as part of tax reform, he said.

NAST urged the tax-writing committees not to view the new type of bond Obama proposed Friday to help facilitate public-private partnerships for infrastructure as a substitute for traditional tax-exempt bonds. The bonds, called qualified public infrastructure bonds, would have features of governmental and private-activity bonds.

NAST told the lawmakers that while QPIBs "may increase infrastructure investment by permitting public private partnerships to tap into previously unavailable funding sources," they would not be "a panacea."

"Tax-exempt municipal bonds remain critical for the financing and construction of schools and other basic infrastructure needs," said the letter, which was signed by NAST President and Tennessee Treasurer David Lillard and NAST Senior Vice President and Washington Treasurer James McIntire.

Curbing or eliminating the muni exemption would increase state and local governments' borrowing costs and lead to fewer infrastructure projects and jobs. It's important for states and localities to be able to save money by using the tax-exempt market since they have constrained budgets, NAST said.

And while states and localities could ask the federal government for more subsidies, "rather than having Congress dictate which projects get built, it's far more efficient to have state and local governments set their own priorities and shoulder the bulk of the cost of their investments," the group said.

In addition to talking about tax reform and highway funding, Hatch talked about other items on the finance committee's agenda.

Congress will also need to address the debt ceiling this year, likely around the middle of the year, Hatch said. The current suspension of the debt limit expires in March. Hatch said it's uncertain how the next debt limit extension will be done, but the finance committee will be involved.

In the last Congress, Hatch introduced a pension reform bill called the Secure Annuities for Employee (SAFE) Retirement Act. He said he wants Congress to enact the legislation.

The bill would allow state and local governments to invest in annuity contracts with private life insurance companies for employee retirement benefits. Hatch said that poorly-funded state and local defined benefit pension plans are "bankrupting" governments. He pointed to Illinois as an example.

Also during the last Congress, Hatch worked with Sen. Michael Bennet, D-Colo., to introduce legislation to promote "social impact bonds," or public-private partnerships to promote social interventions. "This approach to social service delivery could offer states and the federal government a viable pathway to innovate with promising strategies to achieve positive results and save taxpayer dollars," he said.

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