
GFOA Testifies at IRS/Treasury Department Hearing on Political Subdivisions.

On June 6, 2016, Patrick J. McCoy, GFOA President-Elect and director of finance for the New York City Metropolitan Finance Authority testified on behalf of GFOA at a hearing held by the Internal Revenue Service and the Department of the Treasury on their proposed rule on political subdivisions. The proposal would increase restrictions on the definition of "political subdivision" for the purpose of being able to issue tax-exempt bonds.

McCoy's testimony reiterated concerns expressed in GFOA's member survey—specifically, that it isn't possible to construct a one-size-fits-all definition of what constitutes acceptable governmental control of a political subdivision, given the varied nature of states and tens of thousands of local governments. The proposed rule creates a high level of uncertainty about the status of political subdivisions that have been authorized by governments and a high level of risk for many entities across the country concerning their ability to issue tax-exempt bonds. This is especially true in cases where districts are intentionally designed to reach across multiple jurisdictions in order to create service delivery efficiencies directly to citizens.

McCoy underscored the heart of GFOA's argument against the proposed regulations, stating that they "question the legitimacy and authority of the bodies that enacted the enabling legislation that created the political subdivisions in the first place." The additional requirements of the proposed rule attempt to regulate governing matters that, in the absence of abuse, should be left to the states, as have been the case for decades.

Please click here for the testimony.

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