Bond Case Briefs

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Counties Urge Preservation of Tax-Exempt Municipal Bonds.

For over 100 years, municipal bonds have served as a key tool for county and state governments to finance roads, bridges, schools and other facilities while saving taxpayers money.

At a Capitol Hill briefing today, National Association of Counties Executive Director Matthew Chase urged Congress to preserve the tax exemption of municipal bond interest in any potential rewrite of the federal tax code. Removing the interest deduction would increase state and local borrowing costs by over $500 billion, costs that would be ultimately shifted to local taxpayers and potentially result in decreased infrastructure investment.

"Much of the complex infrastructure counties, states and cities deliver can only be delivered through municipal bond financing," said Chase.

Through municipal bonds, state and local governments have invested more than $3 trillion in infrastructure between 2003 and 2012.

For America's counties, it's a substantial portfolio of responsibility, as counties:

- own and maintain 46 percent of the nation's public roads
- own nearly 40 percent of all public bridges
- are involved with nearly a third of the country's transit systems and airports
- operate 91 percent of all local jails, and
- operate 976 hospitals and over 1,500 local health departments.

Additionally, taxing municipal bond interest would violate the principle of sovereign tax immunity — states cannot tax the powers, the operations or the property of the United States, nor how the United States executes its powers, nor can the United States tax either the instrumentalities or the property of the states.

"Municipal bonds are not only a fundamental building block of the federalism system, but they also help to build America's infrastructure," said Chase.

For more information, visit http://www.naco.org/advocacy/action-centers/municipal-bonds

National Association of Counties

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