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Bills Seek Infrastructure Funding Through Tax Reform.

DALLAS – More than $170 billion of revenue would be provided for infrastructure from the repatriation of $2 trillion of accumulated U.S. corporate overseas earnings through tax reform under a pair of bills filed Wednesday by a bipartisan trio of lawmakers.

The legislation would bridge the partisan gap in Congress over how to fund future infrastructure spending, said Rep. John K. Delaney, D-Md., the chief sponsor of both bills.

“Our broken tax code and our crumbling infrastructure are two problems that are dragging down productivity and economic growth,” Delaney said of the measures, which mirror legislation he sponsored in 2015.

The legislation was filed as a new study by Moody’s Investors Service forecasts a slow ramp up to increased federal infrastructure spending due to a lack of bipartisan agreement over funding mechanisms and how to implement a massive infrastructure program.

Moody’s expects additional infrastructure spending to be modest in 2017 and 2018 despite calls by President Trump and Senate Democrats for $1 trillion over 10 years of new funding in separate proposals, said AJ Sabatelle, a managing director at Moody’s and the lead author of the report.

“The pace of new project launches will be slow,” the report said. “Infrastructure spending will increase in the coming years, but … the rate of increase will more likely be in the low- to mid-single digits in the near term.”

The public-private partnerships, envisioned as the heavy lifter in the Trump plan, may not be applicable to projects without a revenue stream, while the direct public investments proposed in the Democrats’ plan would likely require higher levels of state and local borrowing, as well as increased taxes to support the debt, according to Sabatelle.

“Either proposal would amount to a $100 billion annual increase in spending on infrastructure,” Sabatelle said. “But finding a reasonable balance between direct government spending and private investment will take time.”

The Partnership to Build America Act sponsored by Delaney and Rep. Rodney Davis, R-Ill., would create a $50 billion infrastructure bank to provide financing for transportation, water, and education projects by states and local governments.

The American Infrastructure Fund would be financed by the proceeds from the purchase by corporations of $50 billion of 50-year bonds. The corporations would be allowed to repatriate an undetermined amount of overseas earnings with no federal tax liability for every $1 invested in the 1% bonds.

Those proceeds could be leveraged to provide $750 billion of low-interest loans and loan guarantees, Delaney said.

The fixed-rate infrastructure bonds would not be guaranteed by the federal government and are not intended as a good investment on their own, he said.

At least 35% of the projects financed by the infrastructure bank must have a minimum of 10% of their funding from private debt or equity.

The Infrastructure Act 2.0 introduced by Delaney and Rep. Ted Yoho, R-Fla., would provide six years of solvency to the Highway Trust Fund and establish a bipartisan House and Senate joint commission to develop a permanent solution that would bring additional revenues into the fund.

The bill would subject existing overseas corporate earnings by U.S. multinational corporations to a mandatory, one-time tax of 8.75% instead of the current 35% rate and sets an 18-month deadline for comprehensive tax reform.

The reforms would bring in $120 billion for the HTF, enough to cover the expected funding gap for six years and also provide $25 million for a pilot program of regional infrastructure accelerators, Yoho said.

If reforms were not enacted by the deadline, the corporate tax rate would be set at 12.25% for overseas profits for corporations not paying foreign income taxes and at 2% if they were paying a 25% tax rate.

The Bond Buyer

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