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Hatch Interview Raises Concern about Municipal Bond Tax Exemption, SALT Deduction.

WASHINGTON — The continuing concern that the tax exemption for municipal bonds or the federal deduction for state and local taxes may be curbed or eliminated under a Republican tax reform plan was reinforced Sunday by the chairman of the Senate Finance Committee.

Charitable donations and mortgage interest are the only two federal tax deductions that Sen. Orrin Hatch, R-Utah, said he can guarantee will survive under tax reform.

“Everything in the code it going to be looked at,’’ Hatch said during an interview on the Fox News program “Sunday Morning Futures.’’

Hatch’s comment highlights why mayors, governors and local officials around the nation are continuing to lobby congressional lawmakers on these issues.

Last week New Orleans Mayor Mitch Landrieu, the president of the U.S. Conference of Mayors, led a bipartisan delegation of five other mayors who met with five U.S. senators the day before senators began their August recess.

“I think that we know it’s fair to say that we know that it’s in play,’’ Landrieu told reporters after the meetings, referring to the SALT deduction. “Any time there’s a jump ball we want to make sure that we get it. So that’s why we’re here.’’

Mayors also stressed the importance of maintaining the tax-exempt status of municipal bonds. “If you take away the tax exempt status of municipal bonds you will cost us 28% more than you used to,’’ he said.

Hatch, who was not among the senators who met with the mayors, said Sunday that he’s hoping to work on tax reform with his Democratic counterpart on the finance committee, Sen. Ron Wyden of Oregon.

Republicans are eyeing the elimination of most tax deductions in order to broaden the tax base and lower rates, but Hatch expressed doubts during Sunday’s interview that President Trump’s goal of lowering the corporate rate to 15% is achievable.

“I think it’s more likely it will come down around somewhere between 20% and 25%,’’ he said.

Nor did Hatch support presidential adviser Steve Bannon’s suggestion for a top individual tax rate of 44.5%.

“I’m not for that,’’ Hatch said. “We’re certainly going to hit the rich. There’s no question they’re not going to get anything, hardly anything out of any tax reform that we do. But the fact of the matter is, you know almost 60% of all taxes is paid by the upper 5%.’’

Hatch also expressed doubt that tax reform can achieve a revamp of individual rate to only three rates of 15%, 25% and 35%. “If we can get those rates it’d be miraculous,’’ he said.

The Bond Buyer

By Brian Tumulty

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