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Municipal Bonds-Tax Reform Reckless and Unacceptable.

Public policy in a democracy should be transparent and allow time for debate, input and analysis. The House Ways and Means Committee just released its tax plan and aims to adopt it by year-end. The Senate is on a similar fast track. Yet the provisions with respect to municipal bonds have broad ramifications for infrastructure, health care, higher education and affordable housing, and there is insufficient time for thoughtful cost/benefit analysis.

The tax plan calls for the elimination of 501(c) (3) bonds used to provide low-cost financing to hospitals, nursing homes, higher education and nonprofits. There were $72.4 billion of such bonds issued in 2016. Eliminating tax exemption for these entities will increase borrowing costs by 25 to 30 percent, experts say.

Take for example nursing homes and assisted living facilities. The nation's 65 and older population is expected to reach 83.7 million people by 2050, nearly double the population of 43 million as of the 2012 census. This tax plan does not account for the cost of meeting the growing needs of this population.

We have an opioid epidemic that claims the lives of over 50,000 to 60,000 people each year. This tax plan assures that needed drug rehab centers will not be constructed.

We have a health care crisis in this country where cost increases at 4.89 percent last year well outstripped inflation. Where does Congress think higher financing costs for hospitals will be absorbed? The same question can be asked with respect to higher education as the bill will require private colleges and universities, as well as student loan providers, to borrow at higher rates of interest.

The proposal will also eliminate private activity bonds that finance infrastructure. This includes projects such as airports, light rail and solid waste facilities. Private activity bonds by design promote public-private partnerships needed to close the $1 trillion infrastructure gap, a mantra of the Trump administration and the Republicans.

The plan also eliminates advance refundings. Refunding bonds allow states, cities and schools to refinance debt, much like a homeowner refinances a mortgage when interest rates drop. Last year state and local taxpayers saved $3 billion via this financing option.

I realize deficit reduction is crucial to economic growth (though this tax plan will add $1.5 trillion to the deficit over 10 years). At a minimum these impacts must be quantified and measured against deficit reduction and viewed through the prism of social costs. The plan's timing precludes this type of comprehensive analysis.

CRAIN'S CHICAGO BUSINESS

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