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State Treasurers Want Advance Refunding Tax Exemption Restored.

States have used advance refunding bonds to refinance debt. Their tax-exempt status was nixed as part of last year's tax rewrite.

State treasurers are pushing Congress to reinstate a municipal bond tax exemption that was scotched as part of last year's tax overhaul.

The federal income tax exemption applied to interest earned on what are known as "advance refunding" bonds. These bonds are a refinancing tool that state and local governments have commonly used in the past to lower borrowing costs and restructure debt.

In a letter sent Wednesday to leaders in the Senate and House, the National Association of State Treasurers said reviving the exemption would help to achieve the goals outlined in an infrastructure investment plan that President Trump is pushing for.

"Advance refunding bonds save money for taxpayers and free up money for additional infrastructure projects, by allowing state and local issuers to refinance bonds at a lower interest rate," they wrote.

"As experts on infrastructure financing, we believe that reinstating the tax-exempt status of these bonds will be critical for state and local governments to properly execute any infrastructure proposal."

State and local governments finance over 75 percent of all U.S. infrastructure projects, and last year more than \$100 billion in advance refunding bonds were issued, according to the letter.

There are still big questions about how much buy-in Trump's infrastructure plan will get in Congress. The White House proposal calls for \$200 billion of direct federal investment, with the goal of driving at least \$1.5 trillion in public works spending over a decade when combining that money with state, local and private funds.

Because tax-exempt municipal bond earnings are not subject to federal income tax, it's generally understood that investors in the debt expect lower interest rates compared to taxable bonds. This, in turn, can save governments and taxpayers money by reducing borrowing costs

The treasurers endorsed a bipartisan bill in the U.S. House that would reinstate the tax-exempt status of advance refunding bonds, and urged that it be included in any forthcoming infrastructure legislation.

Rep. Randy Hultgren, an Illinois Republican, is the lead sponsor of that bill. He introduced it last week. The legislation currently has three Democratic and two Republican co-sponsors and has been referred to the Ways and Means Committee.

Route Fifty

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