

Bond Case Briefs

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Legislation Reintroduced to Restore the Tax-Exempt Status of Advance Refunding Bonds.

- **The bipartisan Investing in Our Communities Act has been reintroduced in the 118th Congress**
- **Counties support the restoration of the tax-exempt status of advance refunding for municipal bonds**

On March 28, Reps. Dutch Ruppersberger (D-Md.) and David Kustoff (R-Tenn.) reintroduced the bipartisan [Investing in Our Communities Act](#) to restore the tax-exempt status of advance refunding municipal bonds that ultimately save counties and our taxpayers money. Rep. Ruppersberger serves as the co-chair of the bipartisan House Municipal Finance Caucus and both he and Rep. Kustoff were original cosponsors of this bill in the 117th Congress. Counties support the reinstatement of the tax-exempt status of advance refunding bonds and [NACo has again endorsed this legislation](#).

Tax-exempt municipal bonds are predominantly issued by state and local governments for governmental infrastructure and capital needs purposes, such as the construction or improvement of schools, streets, highways, hospitals, bridges, water and sewer systems, ports, airports and other public works.

Prior to 2017, advance refunding bonds were also tax-exempt and allowed counties to refinance municipal bonds once over the lifetime of the bond and more than 90 days prior to the refunded bonds redemption date. Advance refunding bonds, when tax-exempt, allow state and local governments to lower borrowing costs and take advantage of more favorable interest rates. This frees up resources to be used for other important capital projects and minimizes costs to taxpayers. Advance refunding bonds also allow localities to address problematic bond terms and conditions or to restructure debt service payments for budget flexibility.

The 2017 tax reform law (*Tax Cuts and Jobs Act*; P.L. 115-97) eliminated the tax-exempt status of advance refunding bonds as a spending offset, however prior to this elimination advance refunding bonds made up a third of the municipal bond marketplace. As counties continue to implement the American Rescue Plan Act and Bipartisan Infrastructure Law and invest federal funds in infrastructure projects, restoring this important financial management tool is critical to future capital investments.

Counties urge Congress to pass the *Investing in Our Communities Act* to restore the tax-exempt status of advance refunding.

NATIONAL ASSOCIATION OF COUNTIES

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