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Wyden Vows to Protect Tax-Exempt Financing in 2025 Tax Debate.

Senate Finance Committee Chairman Ron Wyden (D-OR) recently vowed to strongly defend tax-exempt financing in 2025, when Congress is expected to debate nearly \$8 trillion in tax policy decisions.

Wyden noted that the 2017 Tax Cuts and Jobs Act repealed the ability to issue tax-exempt advance refunding bonds “making it harder for state and local governments to reduce their debt.”

Now, with much of the 2017 act expiring at the end of 2025, “there are fresh concerns that Republicans will want to go after these key financing tools.” Wyden said doing so “would be a huge setback for our infrastructure needs and for local communities across the country” and vowed to “strongly oppose that effort.”

Wyden’s comments came at the committee’s hearing yesterday titled “Tax Tools for Economic Development.”

C. LaShea Lofton, Deputy City Manager of the City of Dayton, OH, asked the committee to defend and modernize tax-exempt municipal bonds.

“I would like to share two points...: the tax exemption of municipal bonds should be fully maintained as they enable state and local governments to invest in the vital infrastructure that supports local community needs; and enacting federal bond modernization provisions will further enhance this financial tool and unlock additional infrastructure investment in urban, suburban, and rural communities,” Lofton testified.

Lofton noted that tax-exempt financing saves Dayton millions of dollars in financing of infrastructure investments. However, she said, it is the combination of local control and local responsibility that makes municipal bonds an effective and efficient tool.

She said that voters throughout the country overwhelmingly support tax-exempt municipal bonds, which are either approved by locally-elected officials or directly through bond referenda. And it is residents and businesses in these communities who pay the interest and principal on this debt, she said. This important link between citizen and public finance fosters prudent decision-making, she said.

In terms of improving tax-exempt financing, Lofton asked the Committee to restore the ability to issue tax-exempt advance refunding bonds, increase the small issuer exception from \$10 million to \$30 million, and end the sequestration of direct payment bonds.

Senate Sherrod Brown (D-OH) said he supports reinstating the ability to issue tax-exempt advance refunding bonds and that he is “preparing legislation” to end the sequestration of direct payment bonds. “Both will help our municipalities save money that they can reinvest,” Brown said.

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