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US Lawmakers Seek to Revive Early Refinancing for State, Local Governments.

- **Advanced refunding was cut as part of GOP's 2017 tax overhaul**
- **Bill comes as tax-exempt status of munis comes under threat**

A group of House lawmakers is seeking to revive a debt refinancing tactic for US state and local governments.

[Legislation](#) that would restore borrowers' ability to sell tax-exempt muni bonds for so-called advance refundings were introduced Wednesday by a bipartisan group including Representative David Kustoff, a Republican from Tennessee, according to a press release from his office. The federal subsidy offered on the refinancing tool, which allowed governments to refinance debt that can't yet be called back from investors, was eliminated as part of the GOP's 2017 tax overhaul.

"This bill will give state and local governments a critical financing tool to stimulate economic development, create jobs, and save taxpayer dollars," Kustoff said in a statement.

The four lawmakers who introduced the bill are members of the House Ways & Means Committee, which writes tax policy.

The move comes as the public finance market braces for potential further changes to the tax-exempt status on municipal bonds as part of Republicans' effort to extend tax cuts when they expire this year. Past efforts to bring back the federal subsidy for advance-refunding bonds haven't gone very far.

"We are viewing introduction of this legislation at such a critical time as a big win for protection of the tax-exemption as it highlights the importance to committee leadership and will show the depth of support for munis on the Republican side of the aisle in Ways and Means," said Brett Bolton, vice president of federal legislative and regulatory policy for the Bond Dealers of America, a Washington-based lobbying group representing securities dealers and banks.

Municipalities can still sell taxable bonds to refinance tax-exempt bonds, but that's unfavorable to borrowers.

"Right now, states and local governments are facing higher borrowing costs because they can't advance refund bonds to take advantage of lower interest rates," said Representative Jimmy Panetta, a Democrat from California who co-sponsors the proposed legislation, in a statement.

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