County of Kenosha

Board of Supervisors

Resolution No. ____

A RESOLUTION IN SUPPORT OF THE PRESERVATION OF TAX-EXEMPT FINANCING

Original _X_	Corrected __	2^{nd} Correction __	Resubmitted __
Date Submitted:		Date resubmitted:	
Submitted by: Legislative and Finance/Administration Committees			
Fiscal Note Attached:__		Legal Note Attached: _	
Prepared By: Supervisor Boyd Frederick			

A RESOLUTION IN SUPPORT OF THE PRESERVATION OF TAX-EXEMPT FINANCING

WHEREAS, tax-exempt municipal bonds are the primary means by which state and local governments finance three quarters of the critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility systems; and

WHEREAS, through the tax exemption, the federal government continues to provide critical support for the federal, state and local partnership that develops and maintains essential infrastructure, which it cannot practically replicate by other means; and

WHEREAS, the municipal tax exemption has enabled state and local governments to finance more than $1.65 trillion in infrastructure investment over the last decade; and

WHEREAS, this tax exemption is part of a more than century-long system of reciprocal immunity under which owners of federal bonds are, in turn, not required to pay state and local income tax on the interest they receive from federal bonds; and

WHEREAS, Kenosha County and Kenosha County taxpayers have benefited from this tax exemption through substantial savings on the interest cost of borrowed money; and

WHEREAS, tax exempt bonds benefit state and local governments who need the support of investors to finance critical infrastructure, taxpayers across the country who depend on this infrastructure for reliable transportation systems, schools, public health facilities, energy, clean water and affordable housing, the federal government, who gets quite a bargain on their partnership with state and local Resolution – In Support of the Preservation of government to provide the nation's infrastructure through the exemption; and investors who buy bonds for many reasons, including the safe nature of these financial products; and

WHEREAS, municipal bonds are the second safest investment, aside from U.S. Treasuries, with state and local governments having nearly a zero default rate; and

WHEREAS, 72.4 percent of the total outstanding muni debt is held by individual investors, either directly or through mutual funds and money market funds (Source - 2010 Thomson Reuters); and

WHEREAS, Congress and the President have proposed legislation to reduce or repeal the tax exemption on municipal bonds; and

WHEREAS, these proposals to reduce or repeal the tax exemption would have severely detrimental impacts on national infrastructure development and the municipal market, raising costs for state and local borrowers and creating uncertainty for investors;

WHEREAS, if the proposal to cap the exemption on municipal bonds at 28 percent had been in place over the last 10 years it would have cost state and local governments an additional $173 billion in interest costs; and

WHEREAS, total repeal of the exemption over the last decade would have cost state and local governments over $495 billion in additional interest costs; and

WHEREAS, the municipal tax exemption has a long history of success, having been maintained through two world wars and the Great Depression, as well as the recent Great Recession, and it continues to finance the majority of our nation's infrastructure needs for state and local governments of all sizes when no other source exists to do so; and

NOW, THEREFORE, BE IT RESOLVED that the Kenosha County Board of Supervisors opposes any efforts by Congress and the White House to reduce or repeal the federal tax exemption on interest earned from municipal bonds; and

BE IT FURTHER RESOLVED that we oppose any action that would reduce or repeal the exemption on tax-exempt bond interest, and affirm that there should be no legislative action to apply any changes retroactively to current outstanding bonds; and

BE IT FURTHER RESOLVED that a copy of this resolution shall be sent to our Congressional Representatives and key members of the Administration.

Respectfully Submitted,

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Approved by:

Legislative Committee:

	Aye	Nay	Abstain	Excused
______________________________ Boyd Frederick, Chair	☐	☐	☐	☐
______________________________ Dayvin Hallmon, Vice-Chair	☐	☐	☐	☐
______________________________ Andy Berg	☐	☐	☐	☐
______________________________ Erin Decker	☐	☐	☐	☐
______________________________ John Franco	☐	☐	☐	☐
______________________________ John Poole	☐	☐	☐	☐
______________________________ Michael Skalitzky	☐	☐	☐	☐

Finance and Administration Committee

	Aye	Nay	Abstain	Excused
______________________________ Terry Rose, Chair	☐	☐	☐	☐
______________________________ Ronald Frederick, Vice-Chair	☐	☐	☐	☐
______________________________ Daniel Esposito	☐	☐	☐	☐
______________________________ Greg Retzlaff	☐	☐	☐	☐
______________________________ Rick Dodge	☐	☐	☐	☐
______________________________ Jeffrey Gentz	☐	☐	☐	☐
______________________________ Edward Kubicki	☐	☐	☐	☐

January 23, 2017

Chairman Kevin Brady
House Committee on Ways and Means
Longworth House Office Building, Room: 1011
Washington, DC 20515

Ranking Member Richard Neal
House Committee on Ways and Means
Cannon House Office Building, Room: 341
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

As Congress considers tax reform and infrastructure financing, we, the undersigned, write to express our strong support for an already potent tool already in hand – the tax-exempt municipal bond. For more than a century, states and local governments have depended on this reliable and efficient means of financing.

Nearly two-thirds of core infrastructure investments in the United States are financed with municipal bonds. In 2015 alone, more than $400 billion in municipal bonds were issued to finance the projects that touch the daily lives of every American citizen and business. They are the roads we drive on, schools for our children, affordable family housing, water systems that supply safe drinking water, courthouses, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and, in some cases, the utility plants that power our homes, businesses, and factories. These are the pro-growth investments which spur job creation, help our economies grow, and strengthen our communities.

A combination of local control and local responsibility makes municipal bonds an incredibly effective and efficient tool. Voters throughout the country overwhelmingly support tax-exempt municipal bonds, which are either approved by locally-elected officials or directly through bond referenda – fiscal federalism at its finest. This must help explain why the default rate is less than 0.01%. Federal tax exemption reduces the cost of issuing municipal bonds, but it is these voters who will pay the interest and principle on this debt. As a result, over the last decade overall state and local borrowing has actually declined in proportion to the economy, while still financing more than $2 trillion in new infrastructure investments. And, if simply left alone, municipal bonds likely will finance another $3 trillion in new infrastructure investments by 2026.

Furthermore, millions of Americans depend on municipal bonds for their economic security, and invest in them because of their low-risk nature. Nearly three-quarters of individual investors earn less than $200,000 per year and more than three-quarters are 55 or older. Businesses also rely on municipal bonds as a safe, stable, long-term investment.

In conclusion, changes to the tax-code should recognize the vital role of tax-exempt municipal bonds. Any changes under consideration to the tax exempt status that would increase the cost of financing for states and local government should be provided very careful consideration. We believe the current tax-exempt status contributes to efficient economic growth that benefits all Americans.

Sincerely,

Randy Hultgren
Member of Congress
Co-Chair, Municipal Finance Caucus

C.A. Dutch Ruppersberger
Member of Congress
Co-Chair, Municipal Finance Caucus