RESOLUTION R-13-060

A RESOLUTION OF THE COUNTY COMMISSION OF MANATEE COUNTY, FLORIDA, URGING THE PRESIDENT AND CONGRESS OF THE UNITED STATES TO PRESERVE THE CURRENT TAX-EXEMPT STATUS OF MUNICIPAL BONDS, AND REJECT ANY PROPOSAL THAT WOULD REDUCE OR ELIMINATE THE FEDERAL TAX EXEMPTION ON INTEREST EARNED FROM TAX-EXEMPT MUNICIPAL BONDS.

WHEREAS, several proposals are being discussed in the ongoing Federal budget negotiations that would either reduce or eliminate the current tax exemption on the interest earned from tax-exempt municipal bonds; and

WHEREAS, the United States House of Representatives Ways and Means Committee is considering various changes to Federal tax provisions on reducing or eliminating the current tax exemption on the interest earned from tax-exempt municipal bonds, along with the ability of individual taxpayers who itemize to deduct their State and local income and property taxes when filing their Federal tax return and other tax related issues; and

WHEREAS, for state and local governments, tax-exempt municipal bonds are the most important tool available for financing critical infrastructure projects such as primary and secondary schools, hospitals, water and sewer systems, roads, highways and streets, public power facilities, mass transit projects, airports, solid waste, sanitation and recycling, multi-family housing, police and fire stations and equipment, bridges, tunnels and other infrastructure projects; and

WHEREAS, together, state and local governments are responsible for building and maintaining 75 percent of the nation’s infrastructure, which is financed mostly by tax-exempt municipal bonds; and

WHEREAS, on average, state and local governments save up to two percentage points on their borrowing rates through use of tax-exempt municipal bonds; and

WHEREAS, these savings allow state and local governments to invest more in critical infrastructure and essential services while holding down the cost to taxpayers; and

WHEREAS, approximately $3.7 trillion in tax-exempt municipal bonds are currently outstanding; and

WHEREAS, the U.S. Conference of Mayors, the National League of Cities, and the National Association of Counties, with assistance from the Government Finance Officers Association, issued a joint report (the “Report”) in February 2013 titled “Protecting Bonds to Save Infrastructure and Jobs 2013” to determine the impact of the proposals to limit (by imposing a 28% cap) or fully eliminate the exemption on interest from municipal bonds; and

WHEREAS, the Report shows that state and local governments issued 57,754 tax-exempt bonds for more than $1.65 trillion of infrastructure investment over the last decade, with over 6,600 tax-exempt bonds financing over $173 billion in infrastructure projects in 2012 alone; and

WHEREAS, of those totals, 1,250 tax exempt state and local tax-exempt bonds financing over $103 billion in infrastructure improvements were issued over the last decade in the State of Florida; and

WHEREAS, the Report shows that if the 28% cap on interest earned from tax-exempt municipal bonds was in effect over the last decade, it would have cost state and local governments and their taxpayers an additional $173 billion in interest expense over the last decade; and

WHEREAS, the Report shows that if the tax-exemption had been fully eliminated, it would have cost state and local governments and their taxpayers an additional $495 billion in interest expense over the last decade; and

WHEREAS, while on first appearance it might seem that the 28 percent cap on interest earned from tax-exempt bonds may only affect high-income taxpayers, in effect the increased cost would be borne almost exclusively by state and local governments, and therefore all taxpayers within those respective jurisdictions, in the form of higher interest rates on their borrowing; and

WHEREAS, it is being proposed that the 28 percent cap be applied retroactively, meaning that it would be applied to all tax-exempt bonds already outstanding in addition to bonds issued in the future, and in the nearly 200 year history of the tax-exemption Congress has never applied a retroactive tax to bonds already held by investors; and

WHEREAS, this would hurt middle-class taxpayers as state and local governments would be forced to increase property and sales taxes on local taxpayers to offset higher borrowing rates on infrastructure investments; and

WHEREAS, if state and local governments choose not to increase property and sales taxes on local taxpayers to offset higher borrowing rates on infrastructure investments, the alternate option would be to decrease investment in infrastructure, negatively impacting jobs and resulting in needed infrastructure improvements being postponed and resulting in a more deteriorated infrastructure base; and

WHEREAS, 2010 IRS data show that 57 percent of municipal bond interest is paid to individuals 65 years of age and older who largely live on fixed incomes, and 52 percent of municipal bond interest is paid to individuals who earn less than $250,000 annually; and

WHEREAS, the Federal government should not adversely effect, by limiting or providing obstacles to needed infrastructure financing, the right of state and local governments to borrow and decide what infrastructure and services to provide to their citizens.