



Legislation Text

File #: 46790, **Version:** 1

Fiscal Note

No appropriation required.

Title

Opposing changes to federal tax treatment of municipal bonds.

Body

WHEREAS, municipal bonds are the primary means by which state and local governments fund the critical infrastructure of our nation - roads, bridges, hospitals, schools, and utility systems; and

WHEREAS, for over a century federal and state governments have honored a reciprocal relationship whereby owners of municipal bonds are not required to pay federal income tax on the interest income they receive from municipal bonds, and 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, this tax treatment creates a substantial savings on interest costs, which is passed on to property tax payers through reduced tax rates, greater local investments, or both; and

WHEREAS, Congressional leaders and the President have indicated that tax reform is a high priority, and there has been interest in eliminating the federal tax exemption on municipal bonds; and

WHEREAS, proponents of eliminating the exemption have indicated that the elimination could have the effect of reducing local government spending, and increasing federal tax revenue which could then be used for corporate tax cuts; and

WHEREAS, changing tax treatment of municipal bonds will deliver a damaging blow to state and local government - driving up the cost of borrowing, slowing investment in infrastructure, and increasing the tax burden on families; and

WHEREAS, without the federal tax exemption on municipal bond interest, Madison's capital project costs for critical infrastructure investments will rise by at least an estimated \$7 million over the next 5 years; and

WHEREAS, our state and local infrastructure is in need of major repair and improvement, and limiting the current tax status municipal bond would move us backward.

NOW, THEREFORE, BE IT RESOLVED, that the city of Madison opposes any efforts by Congress and this, or any future, President to eliminate or limit the federal tax exemption on interest earned from municipal bonds;

BE IT FURTHER RESOLVED, that the Mayor and Common Council of the City of Madison call on Governor Walker to publicly oppose changing the treatment of municipal bonds;

BE FINALLY RESOLVED, that a copy of this resolution be sent to the City of Madison's federal and state representatives and to Governor Walker.