

Tax Reform and Municipal Bonds

Motive, Means and Opportunity

National League of Cities
Washington, DC
March 12, 2017

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Senior Government Relations Director
American Public Power Association

Motive



Top Twelve Tax Expenditures (FY2016)	Cost (\$B/Yr)	House GOP Blueprint
Retirement plan exclusions (IRA, DC, DB, Keogh)	\$169	Expand
Exclusion of employer health care	144	Cap
Reduced rates on dividends and capital gains	135	Expand
Deferral of income of controlled foreign corporations	109	Repeal
Home mortgage interest deduction	77	Cap
Earned income tax credit	73	Retain
Deduction of state and local taxes	65	Repeal
Child tax credit	56	Expand
Health exchange subsidies	54	Repeal
Exclusion of municipal/private activity bond interest	50	????
Exclusion of untaxed Social Security benefits	40	Retain
Deduction for charitable contributions	38	Retain



[W]ith tax-exempt bonds, the federal government forgoes more in tax revenues than state and local governments receive. Estimates suggest that the difference is about \$6 billion per year—or about one-fifth of the approximately \$30 billion in federal revenues lost through that tax preference. That sum accrues to investors who pay high marginal tax rates.

Frank Sammartino, CBO (April 25, 2012)

And by the way, the municipal bond interest exclusion mainly serves to encourage states and cities to borrow and spend more, which is the opposite of a saving incentive.

THE WALL STREET JOURNAL.

Wall Street Journal,
“Mathematically Possible”
(August 15, 2012)

Means

Off-the-Shelf
Revenue



THE WALL STREET JOURNAL.



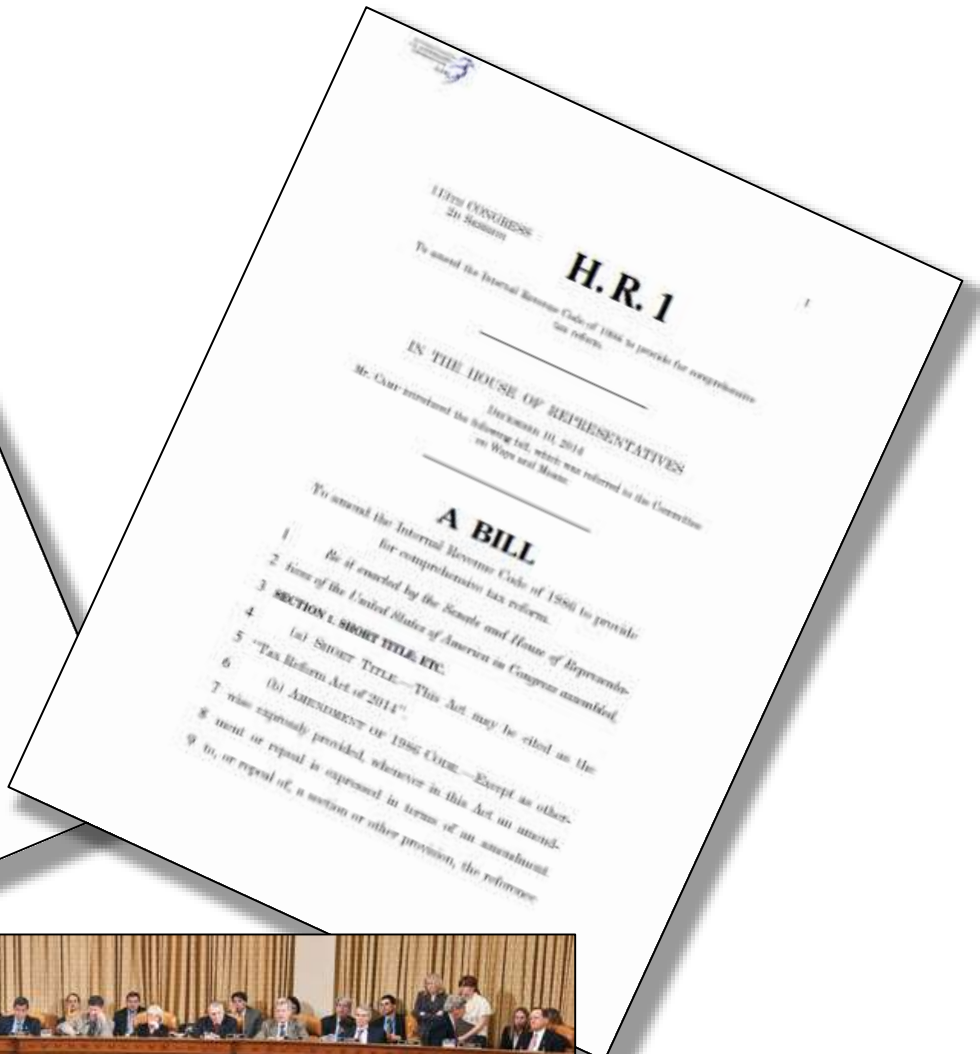
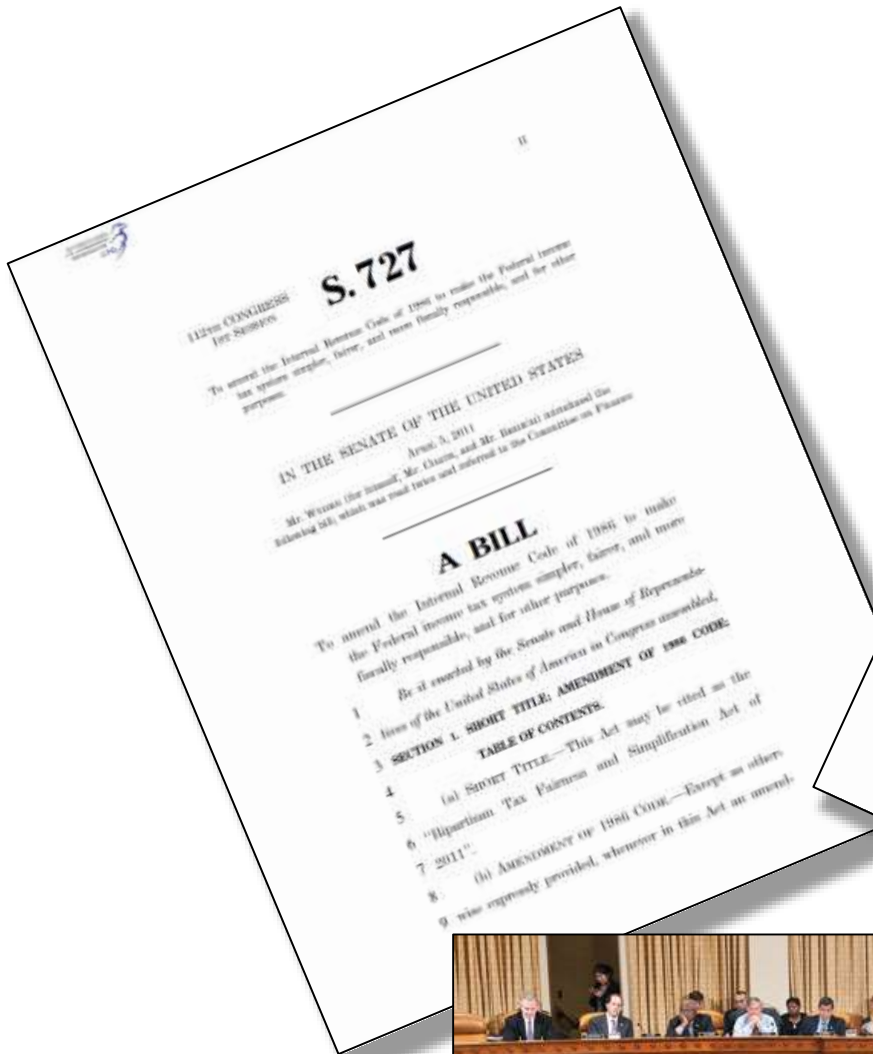
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POLITICS

POLITICS |

ELECTIONS |

PRESIDENTIAL DEBATES 2016 |

WHITE HOUSE |

CONGRESS |

House Speaker Ryan: 'Welcome to the dawn of a new unified Republican government'

Berkeley Lovelace Jr. | @Blovelace_Jr

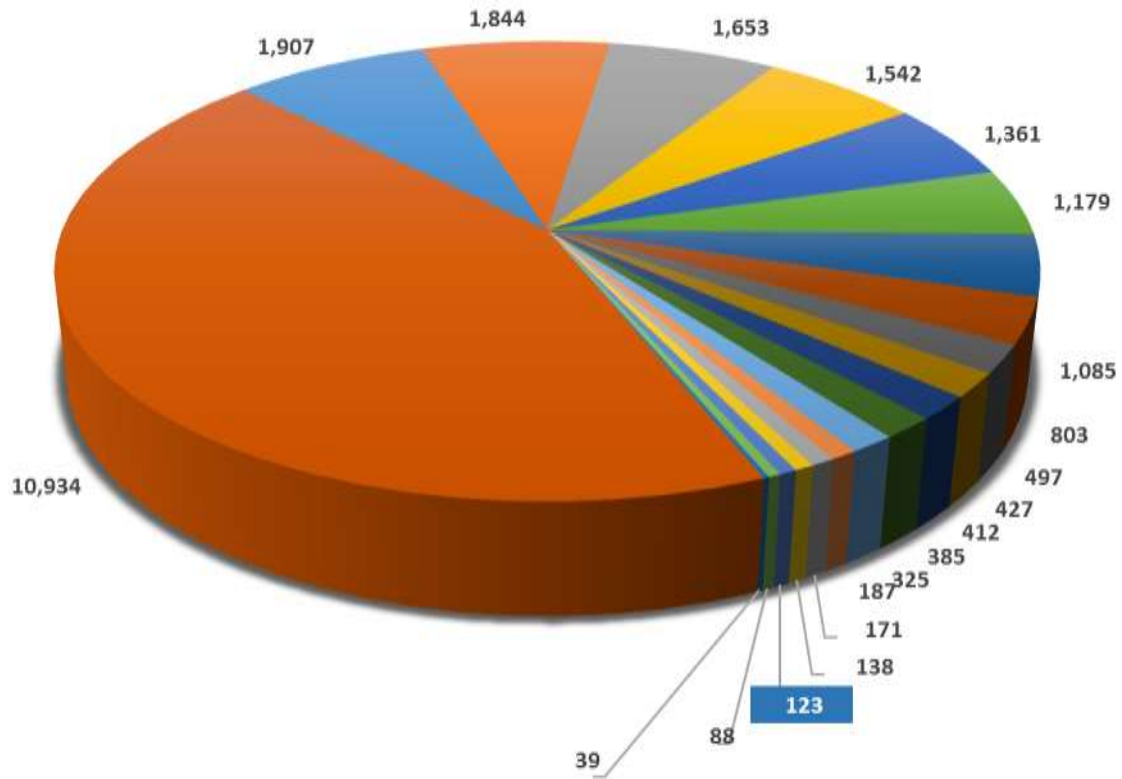
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Opportunity



Income Tax Revenue Effect of Provisions in the House Republican Tax Reform Blueprint (2016-2026) (\$ Billions of Absolute Value)



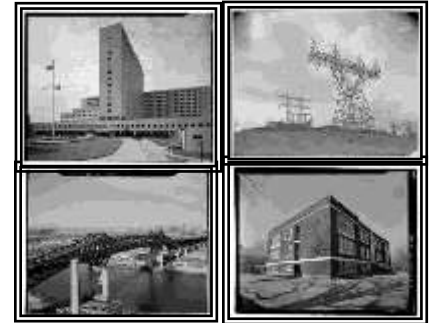
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|---|--|--------------------------------------|
| ■ Repeal Itemized Deductions | ■ Reduce Corporate Rate | ■ Repeal Personal Exemptions |
| ■ Individual Income Tax Rate Cut | ■ Increased Standard Deductions | ■ Deemed Repatriation |
| ■ Expense all investments/disallow interest deduction | ■ Repeal ACA Taxes | ■ 50 Percent Exclusion Capital Gains |
| ■ Repeal AMT | ■ Top Rate of 25 Percent on Active Business Income | ■ Repeal Individual Tax Expenditures |
| ■ Additional Non-Refundable Dependent Credit | ■ Repeal Estate and Gift Tax | ■ Repeal Corporate Tax Expenditures |
| ■ Border Adjustments | ■ Prospective Repeal of Municipal Bond Exemption | ■ Territorial Tax System |
| ■ Repeal Child and Dependent Care Credit | ■ Unchanged | |

DEFENSE



Bonds Build America

\$2 Trillion—State and Local Investments



+\$100 billion—Annual Return for Bond Holders



\$10 billion?—Cost of “inefficiency”?



Airports Council Int'l – North America
 African American Mayors Assn
 Amer Assn of Airport Executives
 Amer Assn of State Highway and Transportation Officials
 Amer Concrete Pavement Assn
 Amer Concrete Pressure Pipe Assn
 Amer Council of Engineering Companies
 Amer Hospital Assn
 Amer Planning Assn
 Amer Public Gas Assn
 Amer Public Power Assn
 Amer Public Transportation Assn
 Amer Public Works Assn
 Amer Society of Civil Engineers
 Associated Equipment Distributors
 Associated General Contractors of America
 Assn of Metropolitan Water Agencies
 Bay Area Toll Authority
 Bond Dealers of America
 Business Oregon
 California Assn of Sanitation Agencies
 California Special Districts Assn
 Chester County Economic Development Council
 Chicago Regional Transportation Authority
 Cleveland-Cuyahoga County Port Authority
 Colorado Assn of Municipal Utilities
 Consumer Federation of America
 Council of Development Finance Agencies
 Council of Infrastructure Finance Authorities
 Council of State Community and Economic Development Agencies
 The Council of State Governments
 CPS Energy
 CSDA Finance
 DFW Airport
 Distribution Contractors Assn
 Government Finance Officers Assn

Stakeholders are diverse and energized for debate

Education Finance Council
 Florida League of Cities
 Int'l Assn of Fire Fighters
 Int'l City/County Management Association
 Int'l Economic Development Council
 Int'l Municipal Lawyers Association, Inc.
 Int'l Public Management Association for HR
 Investment Company Institute
 Large Urban Power Council
 The Ntn'l Assn of Great Water Agencies
 The National Grange

National Asphalt Pavement Association
 Ntn'l Assn of Counties
 Ntn'l Assn of County and City Health Officials
 Ntn'l Assn of Development Organizations
 Ntn'l Assn of Health and Educational Facilities Finance Authorities
 Ntn'l Assn of Local Housing Finance Authorities
 Ntn'l Assn of Regional Councils
 Ntn'l Assn of Resource Conservation and Development Councils
 Ntn'l Assn of State Auditors, Comptrollers and Treasurers
 Ntn'l Assn of State Treasurers
 Ntn'l Assn of Towns and Townships
 Ntn'l Center for Frontier Communities
 Ntn'l Community Development Association
 Ntn'l Council of State Housing Agencies
 Ntn'l Council on Teacher Retirement
 Ntn'l Development Council
 Ntn'l Latino Farmers & Ranchers Trade Association
 Ntn'l League of Cities
 Ntn'l School Boards Association
 Ntn'l Utility Contractors Association
 Rural Coalition
 Texas Assn of Local Housing Financing Agencies
 Transmission Access Policy Study Group
 US Conference of Mayors
 Water Environment Federation
 Water Infrastructure Network



Congressional champions are diverse and energized for debate

Don Young	AK
Mo Brooks	AL
Bradley Byrne	AL
Terri Sewell	AL
Steve Womack	AR
Ruben Gallego	AZ
Raul Grijalva	AZ
Tommy Green	AZ
Christine O'Hara	AZ
Ami Bera	CA
Julia Brownley	CA
Salud Carbajal	CA
Tim Cooney	CA
Tom Costan	CA
Mark DeSaulo	CA
Anna Eshoo	CA
John Garamendi	CA
Jared Huffman	CA
Rahman Khanna	CA
Doug M. Lamb	CA
Ted Lieu	CA
Zoe Lofgren	CA
Alan Lowenthal	CA
Doris Matsui	CA
Grace F. Napolitano	CA
Raul Ruiz	CA
Adam Schiff	CA
Brad Sherman	CA
Jackie Speier	CA
Eric Swalwell	CA
Mark Takano	CA
Mike Thompson	CA
David G. Valadao	CA
Juan Vargas	CA
Maxine Waters	CA
Mike Coffman	CO
Scott Tipton	CO
Eleanor Holmes Norton	DC
Gus Bilirakis	FL
Kathy Castor	FL
Charlie Christ	FL
Ted Deutch	FL
Mario Diaz-Balart	FL
Lois Frankel	FL
Alcee L. Hastings	FL
Al Lawson	FL
Brian Mast	FL
Stephanie Murphy	FL
Bill Posey	FL
Dennis Ross	FL

John Rutherford	FL
Darren Soto	FL
Debbie Wasserman Schultz	FL
Frederica S. Wilson	FL
Ted Yoho	FL
Austin Scott	GA
David Scott	GA
Robert Woodruff	GA
Steve Ding	GA
Dave Loebsack	IA
David Young	IA
Mike Simpson	ID
Cheri Bustos	IL
Robert Davis	IL
Luke Gohmert	IL
Randy Hultgren	IL
Robin L. Kelly	IL
Raja Krishnamoorthi	IL
Dan Lipinski	IL
Jan Schakowsky	IL
Brad Schneider	IL
Jim Banks	IN
Luke Messer	IN
Kevin Yoder	KS
Andy Barr	KY
John Yarmuth	KY
Michael Capuano	MA
William R. Keating	MA
Joseph P. Kennedy	MA
James P. McGovern	MA
Anthony Brown	MD
John Delaney	MD
Jamie Raskin	MD
C. A. Dutch Ruppersberger	MD
Bruce Poliquin	ME
Debbie Dingell	MI
David Latta	MI
Keith Ellison	MN
Rick Nolan	MN
Collin C. Peterson	MN
Tim Walle	MN
Wm Lacy Clay	MO
Alma Adams	NC
Richard Hudson	NC
Robert Pittenger	NC
David Price	NC
David Rouzer	NC
Mark Walker	NC
Kevin Cramer	ND
Don Bacon	NE
Ben Ray Lujan	NM

Michelle Lujan Grisham	NM
Steve Pearce	NM
Mark Amodei	NV
Ruben Alarcon	NV
Jacky Rosen	NV
Dianna Titus	NV
Peor Ross	NV
Nikki Clemon	NV
Sean Patrick Maloney	NY
Grace Meng	NY
Kathleen Rice	NY
Claudia Tenney	NY
Paul D. Tonko	NY
Chris Collins	NY
Bob Gibbs	OH
Bob Johnson	OH
David Joyce	OH
Marcy Kaptur	OH
Robert E. Latta	OH
Tim Ryan	OH
Steve Stivers	OH
Tom Cole	OK
Earl Blumenauer	OR
Suzanne Bonamici	OR
Peter DeFazio	OR
Lou Barletta	PA
Robert Brady	PA
Ryan A. Costello	PA
Brian Fitzpatrick	PA
Tom Marino	PA
David Cicilline	RI
Joe Wilson	SC
John Culberson	TX
Lloyd Doggett	TX
Vincente Gonzalez	TX
Beto O'Rourke	TX
Peter Sessions	TX
Lamar Smith	TX
Robert Bishop	UT
Mia Love	UT
Barbara Comstock	VA
Gerald E. Connolly	VA
Robert J. Wittman	VA
Peter Welch	VT
Denny Heck	WA
Pramila Jayapal	WA
Derek Kilmer	WA
Rick Larsen	WA
Dan Newhouse	WA
Sean Duffy	WI
Gwen Moore	WI