

PRESERVING, ENHANCING AND RESTORING THE TAX-EXEMPT STATUS OF MUNICIPAL BONDS AND PRIVATE ACTIVITY BONDS

- WHEREAS,** Tax-exempt municipal bonds are the basic tool used by states and local governments to fund the capital project improvements necessary to provide utilities, roads and bridges, airports, health care, education, housing, environmental remediation programs, and other public services; and
- WHEREAS,** The ability to sell debt with interest exempt from federal income taxes has been a significant benefit to state and local government borrowers, directly reducing the tax burden that all citizens would otherwise have to shoulder to finance essential public services. The practical effect of this lower borrowing cost is a direct reduction of the tax burdens that citizens would otherwise have to shoulder to finance essential public services. The ability to provide interest rate savings to state and local taxpayers stands as a symbol of the partnership between the federal government and state and local governments; and
- WHEREAS,** Provisions to restrict even further state and local governments' ability to fund vital public infrastructure and services through tax-exempt financing would require these governments to raise taxes to offset increased financing costs, (increased personal income, property, sales, and other local taxes), and/or a reduction in essential services; and
- WHEREAS,** Tax-exempt financing also grants state and local governments freedom from the uncertainties of the annual Congressional appropriations process in funding capital needs or any portion of their interest costs; and
- WHEREAS,** Provisions to discourage investment in tax-exempt bonds by individuals and corporations would reduce demand for state and local government debt and increase state and local borrowing costs; and
- WHEREAS,** Congress has enacted legislation, most notably in the late 1960s and in 1986 that placed severe restrictions on the use of tax-exempt bonds, and these laws continue to apply today. Additionally, many IRS regulations have been adopted that cause enormous administrative, and thus costly, burdens to those entities issuing tax-exempt debt; and
- WHEREAS,** The nation as a whole has a vital interest in maintaining adequate and safe public facilities to support a dynamic economy. Thus, the national interest is well served by keeping state and local government borrowing costs low, thereby providing an incentive for public investment in infrastructure; and

- WHEREAS,** Federal law should not further undermine the municipal securities marketplace, nor threaten the tax-exempt status of these investment instruments in any direct or indirect manner; and
- WHEREAS,** Private Activity Bonds (PABs) are an essential tool for financing public-purpose projects in partnership with the private sector, including infrastructure, affordable housing, healthcare, and renewable energy;
- WHEREAS,** Maintaining the tax-exempt status of PABs strengthens state and local governments' ability to attract private investment, reduce fiscal burdens on taxpayers, and ensure cost-effective delivery of critical infrastructure and services;
- WHEREAS,** Prior the passage of Tax Cuts and Jobs Act (TCJA) tax-exempt advance refundings provided states and municipalities with greater flexibility to take advantage of lower interest rate environments and better manage their finances; and

NOW, THEREFORE-BE IT RESOLVED, that the National Association of State Treasurers (NAST) strongly supports preserving the tax-exempt status of municipal bonds, including Private Activity Bonds, and urges Congress to reject any efforts to limit or eliminate this vital tool for public finance;

BE IT FURTHER RESOLVED, that NAST calls on Congress to reinstate the ability of state and local governments to issue tax-exempt advance refunding bonds to provide governments with greater flexibility in managing debt and reducing costs;

BE IT FURTHER RESOLVED, that NAST will work with policymakers, industry stakeholders, and allied organizations to advocate for legislation and regulatory measures that maintain and enhance the utility of municipal bonds and PABs in fostering economic growth, advancing public infrastructure, and supporting community development nationwide.

*This resolution shall remain in effect until amended or rescinded.