

SUPPORT CITIES:

Protect Municipal Bonds

NLC calls on Congress and the President to preserve the federal income tax exemption on municipal bonds that will:

- 1 Allow local and state governments to finance public infrastructure that supports everyday life.
- 2 Prevent an increase in the cost to taxpayers in building schools, water treatment facilities, libraries, bridges and many other public projects.
- 3 Benefit all Americans. It is not a special interest loophole and should not be treated as such.

Voters and governmental bodies approve issuance of these bonds, which are then purchased by private individuals, mutual funds and financial institutions. The interest gained by these investors is exempt from the federal income tax, and has been since 1913. In a way, municipal bonds are America's original and most successful public-private partnership.

Local governments save an average of 25 to 30 percent on interest costs with tax exempt municipal bonds (as compared to taxable bonds), thanks to investors who are willing to accept a lower interest rate on tax exempt bonds. The exemption is similar to the exemption for federal Treasury bonds from state and local taxes.

In addition to the cost savings, municipal-bond-funded projects create jobs, provide a stable investment vehicle for investors, and help reduce local tax and utility rates for community residents. Despite these benefits, the tax exemption is on the table for capping or elimination as a part of tax reform discussions.

Congress and the President must maintain the federal income tax exemption for municipal bonds to protect this critical tool for local governments to rebuild and improve America's infrastructure.

Percentage of public infrastructure financed by tax-exempt bonds

Utilities	87%
Environment	54%
Education	65%
Health Care	40%
Transportation	35%

Municipal bonds are the primary way state and local governments finance the public infrastructure that supports everyday life. From the construction of schools and hospitals to ensuring access to clean water, cities large and small alike use tax exempt municipal bonds to save on interest cost while finding a way to provide basic to critical services to their local communities. More than two-thirds of U.S. public infrastructure projects are financed by municipal bonds.

Support Municipal Bonds

Join the Congressional Municipal-Finance Caucus and protect the tax exemption for municipal bonds.

For more information

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