



# Legislative UPDATE

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## **Debate on Tax Reform Continues**

A preliminary draft of the federal tax reform plan released two weeks ago contains provisions that could increase the cost of financing some major municipal infrastructure projects. The proposal would eliminate the tax-exempt status for two specific types of municipal bonds that are used by Texas cities: advance refunding bonds and private activity bonds.

Advanced refunding bonds allow cities the ability to take advantage of lower interest rates to save taxpayers and utility ratepayers money. Since 2012, advanced refunding has saved Texas taxpayers of cities, counties, school districts, and utilities approximately \$1.7 billion. Since 2012, it has saved the City of Dallas taxpayers \$27.83 million and City of Austin taxpayers \$38.36 million.

Private activity bonds are used for many types of projects that service the public, such as hospitals, student housing, affordable housing, airports, and water and sewer projects. For example, Dallas and Austin have used them for hundreds of millions of dollars of Love Field and Austin-Bergstrom Airport improvements.

Local governments account for the lion's share of the nation's infrastructure investments. Keeping that in mind, the House bill's limits on private activity bonds and the House and Senate proposal to eliminate advanced refunding would increase the costs to invest in infrastructure. The good news is that both proposals retain the basic federal tax exemption for municipal bonds.

The following chart shows the present status of the major city-related issues and where they currently stand in relation to federal tax reform.

Provision	House	Senate
Private Activity Bonds	Would completely eliminate the tax exemption for private activity bonds	Would maintain current law treatment re: the tax exemption for private activity bonds
Advanced Refunding of Municipal Bonds	Would eliminate advanced refunding	Would eliminate advanced refunding
State and Local Tax Deduction (SALT)	Would cap the SALT deduction for property taxes at \$10,000 and eliminate it entirely for income and sales taxes	Would completely eliminate the SALT deduction
New Markets Tax Credit	Would eliminate NMTC	Would maintain current law
Historic Preservation Tax Credit	Would eliminate Historic Preservation Tax Credit	Would cut the 20% credit for National Register properties in half and would eliminate the 10% credit for pre-1936 properties
Work Opportunity Tax Credit	Would eliminate WOTC	Would maintain current law

TML has sent [letters](#) to appropriate members of Congress and suggests that interested city officials evaluate the potential impact in their city and discuss tax reform proposals with their member(s) of congress.

## **Payday Lending Clearinghouse Updates**

The League’s “Payday Lending Clearinghouse” webpage, available at [www.tml.org/payday-updates](http://www.tml.org/payday-updates), includes information related to the regulation of payday and auto title lenders. It is updated from time-to-time to reflect recent developments. Interested city officials should note that the list of cities that have adopted regulations is expanding. An updated list is available on the webpage.

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