



Legislative UPDATE

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Tax Reform Plan Could Increase Taxpayer Costs for Infrastructure Projects

A preliminary draft of the federal tax reform plan released last week contains provisions that could increase the cost of financing some major municipal infrastructure projects. The draft would also make it harder for cities to save money by refinancing bonds when interest rates drop.

The proposal would eliminate the tax-exempt status for two specific types of municipal bonds that are used by Texas cities: private activity bonds and advance refunding bonds. Under current law, investors who purchase these two types of municipal bonds do not pay federal income tax on the interest they receive from the bonds. Because of this tax-exempt status, cities can get a lower interest rate when they issue the bonds.

If these proposals become law, the result will be higher costs for capital improvement projects. That means fewer projects will be built or higher taxes to pay for them.

Private activity bonds can be used to finance projects like airports, solid waste facilities, and affordable housing. By scrapping the tax-exempt status of these bonds, the tax reform proposal would make these bonds less attractive to investors and ultimately limit the use of public-private partnerships to build critical infrastructure, and create local jobs.

Advance refunding bonds are issued by cities to refinance debt issuances to take advantage of lower interest rates. The purpose of these bonds is to restructure debt in a way that saves taxpayer dollars.

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.

House Committee Hears City Officials' Harvey-Related Concern

On Wednesday, the House Appropriations Subcommittee on Disaster Impact and Recovery met in Corpus Christi to hear testimony on the following interim charge:

Examine the use of federal funds by state agencies responding to the effects of Hurricane Harvey and identify opportunities to maximize the use of federal funds to reduce the impact of future natural disasters. Also identify the need for state resources to respond to Hurricane Harvey relief and recovery efforts, as well as opportunities for state investment in infrastructure projects that will reduce the impact of future natural disasters.

The mayors of Corpus Christi, Fulton, and Port Aransas characterized the federal response to Harvey's destruction as inadequate, especially as it relates to finding Texans temporary housing. (The lack of state funding for recovery efforts was also a concern.)

Land Commissioner George P. Bush testified at length about the responsibilities of the General Land Office, which is overseeing housing recovery. He recognized that there is frustration over temporary housing needs.

The select committee will hold another hearing in the near future in the Beaumont area.

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