

## Modernize Tax-Exempt Financing to Facilitate Infrastructure Development

### Need

Modernization and reform of tax-exempt financing to facilitate development needed infrastructure by: (1) Reinstating authority to advance refund tax-exempt municipal bonds to maximize interest rate savings; (2) Increasing from \$10 million to \$30 million, adjusted annually for inflation, of the cap for a bond issuer to qualify as a “small issuer;” and (3) Removing tax-credit payments to Build America bond issuers from inclusion in sequestration.

### Background

Tax-exempt municipal bonds have long been the most effective tool for financing investments in public infrastructure. Congress, however, should further incentivize investments in infrastructure by improving this powerful financing tool with comprehensive municipal bond modernization legislation.

In the past decade, over \$2.3 trillion in tax-exempt bonds financed investments in schools, hospitals, water and wastewater treatment plants, and public power infrastructure. Similar sized or even higher investments are expected over the next decade. Public power utilities alone are making \$7 billion a year in investments in their generation, transmission, and distribution systems using tax-exempt bonds.

Despite this massive government commitment, U.S. investment in infrastructure is still lagging and, as a result, lawmakers should consider new ways to encourage additional infrastructure investments by state and local government entities, including municipal utilities and municipal power agencies.

### MMUA Position

To jump-start further development of much-needed infrastructure by public power agencies and local governments, MMUA believes that Congress should:

- Repeal the ban on tax-exempt advance refunding of bonds. This ban has reduced the ability to lower costs by refinancing existing debt and has increased the cost of issuing new debt.
- Make it easier for more small counties, towns, and villages to sell their bonds to banks by increasing from \$10 million to \$30 million the cap for qualifying for the small issuer “bank-qualified” exception, a limit which has not been updated permanently since 1986.
- End the sequestration of tax credit payments to Build America Bond issuers.