



City of Broken Arrow

Request for Action

File #: 17-1906, **Version:** 1

Broken Arrow City Council
Meeting of: 03-07-2017

To: **Mayor and City Council**
From: **Office of the City Attorney**

Title:
Consideration, discussion, and possible approval of Resolution No. 993, a Resolution of the Broken Arrow City Council urging the United States Congress and President of the United States of America to preserve the Tax-Exempt status of Municipal Bonds; and strongly opposes any Federal Legislation or Executive action that would eliminate the Federal Tax Exemption on Municipal Bonds

Background:

The federal tax exemption for municipal bonds has been in place since the federal income tax was instituted in 1913. Tax-exempt municipal bonds are the primary funding mechanism for state and local government infrastructure projects with three-quarters of the total United States investment in infrastructures being accomplished with tax-exempt financing from over 50,000 state and local governments and authorities. The tax-exemption for municipal bonds was granted to ensure affordable access to credit for municipal projects that, among other things, provide for public health and well-being, and as a result, local governments have saved taxpayers an average of 20 to 25 percent on interest costs with tax-exempt municipal bonds as compared to taxable bonds.

The President of the United States is proposing to place a cap or eliminate the federal tax exemption for municipal bonds. If Congress accepts the President's proposal, the federal tax exemption for municipal bonds would place federal, state, and local governments at cross-purposes because any savings realized by the federal government would be more than offset by economic losses at the state and local level due to higher credit costs, cancelled infrastructure projects, fewer job opportunities, and a greater burden on local taxpayers. Stability in the municipal bond market rests on the tax exemption for municipal bonds, and market stability is essential to the state, national and local economy.

Staff is recommending that City Council urge Congress and the President of the United States to preserve the tax exempt status of municipal bonds and strongly opposes any federal legislation or executive action that would eliminate the federal tax-exemption on municipal bonds.

Cost: **none**

Prepared By: **Beth Anne Wilkening, City Attorney**

Reviewed By: **Finance Department**

Approved By: **Michael L. Spurgeon, City Manager**

Attachments: **Resolution No. 993**

Recommendation:

Approve Resolution No. 993 and its execution