

COUNCIL OF THE COUNTY OF MAUI

POLICY AND INTERGOVERNMENTAL AFFAIRS COMMITTEE

July 25, 2013

Committee
Report No. _____

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Policy and Intergovernmental Affairs Committee, having met on July 1, 2013, makes reference to County Communication 13-182, from Councilmember G. Riki Hokama, transmitting a proposed resolution entitled "URGING THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES TO PRESERVE THE CURRENT TAX-EXEMPT STATUS OF MUNICIPAL BONDS".

The purpose of the proposed resolution is to urge the President and Congress of the United States to preserve the current tax-exempt status of municipal bonds. The tax-exempt status of municipal bonds has successfully provided trillions of dollars in low-cost financing for critical infrastructure investments that serve citizens in all states and local communities.

Your Committee notes interest received by holders of municipal bonds is exempt from Federal income taxes. Therefore, purchasers of municipal bonds are willing to accept lower rates of return than they would for similar taxable bonds. This lower rate significantly reduces borrowing costs for state and local governments who can fund public improvements more economically. Such cost savings can be passed on to local taxpayers.

Your Committee further notes there are several proposals being discussed at the Federal level to either reduce or eliminate the current tax exemption of the interest earned from municipal bonds. Tax-exempt municipal bonds are a critical financing tool for counties. Any reduction or elimination of the tax-exempt status of municipal bonds would increase the borrowing costs of municipalities to pay for infrastructure improvements.

Your Committee expressed concern about taxpayers being responsible for the burden of increased costs to the County resulting from any change to the tax-exempt status of municipal bonds.

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Your Committee voted 8-0 to recommend adoption of the proposed resolution, and filing of the communication. Committee Chair Hokama, Vice-Chair Couch, and members Baisa, Carroll, Cochran, Crivello, Victorino and White voted "aye". Committee member Guzman was excused.

Your Policy and Intergovernmental Affairs Committee RECOMMENDS the following:

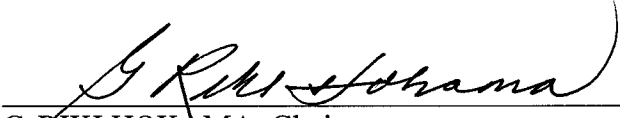
1. That Resolution _____, attached hereto, entitled "URGING THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES TO PRESERVE THE CURRENT TAX-EXEMPT STATUS OF MUNICIPAL BONDS", be ADOPTED; and
2. That County Communication 13-182 be FILED.

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This report is submitted in accordance with Rule 8 of the Rules of the Council.



G. RIKI HOKAMA, Chair

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Resolution

No. _____

URGING THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES TO PRESERVE THE CURRENT TAX-EXEMPT STATUS OF MUNICIPAL BONDS

WHEREAS, the issuance of tax-exempt municipal bonds is the primary method by which state and local governments finance the nation's critical infrastructure, including roads, bridges, hospitals, schools, and utility systems; and

WHEREAS, state and local governments have historically saved up to 2 percentage points on their borrowing through the use of tax-exempt municipal bonds; and

WHEREAS, these savings in debt service allow state and local governments to invest more funds toward critical infrastructure and essential services while minimizing the costs passed on to taxpayers; and

WHEREAS, several proposals are being discussed in the ongoing Federal budget negotiations that would either reduce or eliminate the current tax exemption of the interest earned from tax-exempt municipal bonds; and

WHEREAS, the National Association of Counties, the National League of Cities, and the United States Conference of Mayors, with assistance from the Government Finance Officers Association, issued a joint report entitled "Protecting Bonds to Save Infrastructure and Jobs 2013" ("Report") to determine the impacts of the proposals to limit or fully eliminate the tax exemption on interest from municipal bonds; and

WHEREAS, the Report shows that if the proposal to establish a 28 per cent cap on many itemized deductions, including tax-exempt interest earned on municipal bonds, was in effect over the last decade, it would have cost state and local governments and their taxpayers an additional \$173 billion in interest expense for that same period; and

WHEREAS, the Report further shows that if the tax exemption had been fully eliminated, it would have cost state and local governments and their taxpayers an additional \$495 billion in interest expense over the last decade; and

WHEREAS, the Federal government should not impair, through a reduction, elimination, or similar manipulation of the tax exemption provided to municipal bonds, the ability of state and local governments to economically borrow and provide infrastructure to their citizens; now, therefore,

Resolution No. _____

BE IT RESOLVED by the Council of the County of Maui:

1. That it hereby urges the President and the Congress of the United States to preserve the current tax-exempt status of municipal bonds, which has successfully provided trillions of dollars in low-cost financing for critical infrastructure investments that serve citizens in all states and local communities; and
2. That it hereby urges the President and the Congress of the United States to reject any proposal that would reduce or eliminate the Federal tax exemption on interest earned from tax-exempt municipal bonds; and
3. That certified copies of this resolution be transmitted to the President of the United States; the Hawaii members of the United States Congress; the Senate President, State of Hawaii; the Speaker of the House of Representatives, State of Hawaii; the Honorable Members of the Honolulu City Council, Hawaii County Council, and Kauai County Council; and the Honorable Mayors of the City and County of Honolulu, Hawaii County, Kauai County, and Maui County.

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