December 12, 2017

U.S. Senator Orrin Hatch	U.S. Senator Ron Wyden
104 Hart Senate Office Building	221 Dirksen Senate Office Building
United States Senate	United States Senate
Washington, D.C. 20510	Washington, D.C. 20510

America's counties to Congress: Preserve local financing tools in tax reform conference committee

Dear Chairman Hatch, Ranking Member Wyden, and U.S. Senate Conferees:

On behalf of the National Association of Counties and the 3,069 counties we represent, we urge you to protect vital local financing tools in the tax code that allow counties to provide services for our residents every day. Many of these tools support critical infrastructure investments owned and operated by counties, which helps reduce infrastructure costs for the federal government. As you represent the Senate in the conference committee for H.R. 1, we urge you to uphold our intergovernmental partnership and maintain essential components of the tax code supporting infrastructure, public safety, education and local economic growth.

Preserve the Municipal Bond Interest Tax Exclusion and Advance Refunding Bonds

Tax-exempt municipal bonds have been a fundamental feature of the United States tax code since 1913, and we thank congressional tax-writers for maintaining this exemption in both the House and Senate versions of H.R. 1. Municipal bonds remain the primary method used by states and local governments to finance public capital improvements and public infrastructure projects, including our roads, bridges, schools, hospitals, water infrastructure and much more, which are essential for creating jobs, sustaining economic growth and improving the quality of life for Americans in every corner of this country. Any tax reform bill should not sacrifice – and drive up the costs – of one of our nation's most effective methods of financing for critical infrastructure.

Advance refunding bonds allow counties to be better fiscal stewards of our debt. These bonds essentially allow counties to refinance tax-exempt municipal bonds at lower interest rates once over the lifetime of the bond. From 2012 to 2016, counties and other public issuers saved taxpayers and local governments over $12 billion through advance refunding bonds. Unfortunately, both versions of H.R. 1 would repeal this tool. It bears repeating: this provision simply allows counties to save local taxpayer dollars on public infrastructure, making those projects more sustainable and affordable.

<u>We urge you to reinstate this financing instrument in the final legislation</u>. As many counties across the country were already planning to take advantage of this tool in the next year, at a minimum we ask you to delay the effective date of the provision to December 31, 2018 or limit the provision to the advance refunding of bonds issued after December 31, 2017, preserving the opportunity for counties with existing qualifying bonds to refund them.

Reinstate the State and Local Tax (SALT) Deduction

The deduction for state and local taxes (SALT) paid was one of the six deductions allowed under the original tax code when it was enacted in 1913, and we urge you to maintain the full SALT deduction in the final conference agreement. Eliminating or capping federal deductibility for any state and local taxes would represent double taxation, as these taxes are mandatory payments for all taxpayers. By eliminating the federal deductibility of these taxes, Congress would be shifting the intergovernmental balance of income taxation and could limit state and local control of our tax systems. Moreover, eliminating or limiting the SALT deduction threatens local housing markets, which are key to local economies and support local services.

Current proposals to eliminate deductibility for state and local income and sales taxes and retain a capped property tax deduction at $10,000 do not offer a reprieve for most taxpayers nor do they support local government services. According to the Institute on Taxation and Economic Policy, 71 percent of tax filers currently claiming the property tax deduction would no longer be able to under the revised SALT deduction, including 80 percent of middle class taxpayers currently utilizing the deduction. Additionally, retaining some parts of the SALT deduction but not others picks winners and losers among state and local revenue options, which will further stretch available revenue sources for county governments. 45 states already impose some type of property tax restriction on counties, and altering the SALT deduction would further limit our ability to meet constituent demand needs, including maintaining local infrastructure and public safety services.

Municipal bonds, advance refunding bonds and the SALT deduction all support critical local investments meeting the demands set by our shared constituents across the country. By altering or limiting these provisions, Congress would constrain the ability of counties to meet residents' needs. We urge you to revise and restore these provisions in a final conference agreement on H.R. 1.

Sincerely,

Matthew D. Chase
Executive Director
National Association of Counties

CC: Senate Majority Leader Mitch McConnell (R-Nev.)
Senate Minority Leader Chuck Schumer (D-N.Y.)
Senator Mike Enzi (R-Wyo.)
Senator Lisa Murkowski (R-Alaska)
Senator John Cornyn (R-Texas)
Senator John Thune (R-S.D.)
Senator Rob Portman (R-Ohio)
Senator Tim Scott (R-S.C.)
Senator Pat Toomey (R-Pa.)
Senator Ron Wyden (D-Ore.)
Senator Bernie Sanders (I-Vt.)
Senator Patty Murray (D-Wash.)
Senator Maria Campbell (D-Wash.)
Senator Debbie Stabenow (D-Mich.)
Senator Robert Menendez (D-N.J.)
Senator Tom Carper (D-Del.)