Protecting Tax-Exempt Municipal Bonds

ASCE Position

Tax-exempt municipal bonds are a key tool for state and local governments to finance infrastructure projects and their tax-exempt status must be preserved.

Key Points

- Tax-exempt municipal bonds have been used to finance repairs to and construction of a wide spectrum of infrastructure projects, including roads, bridges, transit systems, seaports, airports, schools, drinking and wastewater facilities, and schools.
- Municipal bonds are used by over 50,000 state and local governments, authorities, and nonprofits to meet a variety of critical infrastructure needs.
- Nearly 75% of all public infrastructure funding is derived from tax-exempt bonds.
- State and local governments save, on average, approximately two percentage points on their borrowing to finance investment in public infrastructure, which translates into substantial savings to local taxpayers.
- Between 2007 and 2016, state and local governments invested $3.8 trillion in infrastructure through tax-exempt municipal bonds.

Status

As Congress considers tax reform and how to fund any infrastructure investment plan, it should keep in mind the key role tax-exempt municipal bonds play in financing infrastructure at the state and local level. Tax-exempt bonds reduce financing costs, which lowers the cost of infrastructure improvements. This allows communities to make vital investments and reduces the amount of funding sought from federal grant and loan programs.

Background

ASCE has long been an advocate for improving and maintaining the nation’s infrastructure. ASCE’s 2017 Infrastructure Report Card rates the overall condition of the nation’s infrastructure a “D+,” with an investment gap of $2 trillion between 2016-2025. An economic study we released last year found that the U.S. is on track to invest only half of what is needed in infrastructure over the next decade. This underinvestment will cause our infrastructure to further degrade, resulting in a loss of 2.5 million jobs and $3.9 trillion in GDP by 2025. And it costs American families $3,400 a year – $9 a day.

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