



# Rochester Hills

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## Master

**File Number: 2013-0129**

**File ID:** 2013-0129

**Type:** Administration

**Status:** To Council

**Version:** 1

**Reference:** 2013-0129

**Controlling Body:** City Council  
Regular Meeting

**File Created Date :** 04/03/2013

**File Name:** Request for Adoption of a Resolution in Support of  
the Preservation of Municipal Tax Exemption

**Final Action:**

**Title label:** Request for Adoption of a Resolution in Support of the Preservation of Municipal Tax  
Exemption

### Notes:

### Sponsors:

### Enactment Date:

**Attachments:** Agenda Summary.pdf

### Enactment Number:

### Contact:

### Hearing Date:

### Drafter:

### Effective Date:

## History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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### Text of Legislative File 2013-0129

#### Title

Request for Adoption of a Resolution in Support of the Preservation of Municipal Tax Exemption

#### Body

**Whereas**, tax-exempt municipal bonds are the primary means by which state and local governments finance three quarters of the critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility systems; and

**Whereas**, through the tax exemption, the federal government continues to provide critical support for the federal, state and local partnership that develops and maintains essential infrastructure, which it cannot practically replicate by other means; and

**Whereas**, the municipal tax exemption has enabled state and local governments to finance more than \$1.65 trillion in infrastructure investment over the last decade; and

**Whereas**, this tax exemption is part of a more than century-long system of reciprocal immunity under which owners of federal bonds are, in turn, not required to pay state and local income tax on the interest they receive from federal bonds; and

**Whereas**, municipalities benefit from this tax exemption through substantial savings on the interest cost of borrowed money; and

**Whereas**, tax exempt bonds benefit state and local governments who need the support of investors to finance critical infrastructure, taxpayers across the country who depend on this infrastructure for reliable transportation systems, schools, public health facilities, energy, clean water and affordable housing, the federal government, who gets quite a bargain on their partnership with state and local government to provide the nation's infrastructure through the exemption; and investors who buy bonds for many reasons, including the safe nature of these financial products; and

**Whereas**, municipal bonds are the second safest investment, aside from U.S. Treasuries, with state and local governments having nearly a zero default rate; and

**Whereas**, according to a 2010 Thomson Reuters report, 72% of the total outstanding municipal debt is held by individual investors, either directly or through mutual funds and money market; and

**Whereas**, Congress and the President have proposed legislation to reduce or repeal the tax exemption on municipal bonds; and

**Whereas**, these proposals to reduce or repeal the tax exemption would have severely detrimental impacts on national infrastructure development and the municipal market, raising costs for state and local borrowers and creating uncertainty for investors; and

**Whereas**, if the proposal to cap the exemption on municipal bonds at 28 percent had been in place over the last 10 years it would have cost state and local governments an additional \$173 billion in interest costs; and

**Whereas**, total repeal of the exemption over the last decade would have cost state and local governments over \$495 billion in additional interest costs; and

**Whereas**, the municipal tax exemption has a long history of success, having been maintained through two world wars and the Great Depression, as well as the recent Great Recession, and it continues to finance the majority of our nation's infrastructure needs for state and local governments of all sizes when no other source exists to do so;

**Now, Therefore, Be It Resolved**, that the City of Rochester Hills opposes any efforts by Congress and the White House to reduce or repeal the federal tax exemption on interest earned from municipal bonds; and

**Be It Further Resolved**, that we oppose any action that would reduce or repeal the exemption on tax-exempt bond interest, and affirm that there should be no legislative action to apply any changes retroactively to current outstanding bonds; and

**Be It Further Resolved**, that a copy of this resolution shall be sent to our Congressional Representatives and key members of the Administration.