**Northwest Public Power Association**

**Resolution 2016-08**

**Support for Tax-Exempt Financing**

**Background**

Tax-exempt financing is the cornerstone of public infrastructure programs and an important resource for public power systems. The interest from these bonds is exempt from federal taxation and the ability to issue these bonds allows communities to finance the furnishing of necessary local services, such as electricity, water, waste treatment, and advanced communications. However, due to the Nation’s immense financial needs this program is being considered as a means to raise revenue for deficit reduction and is seen as a potential target for tax reform that would increase the likelihood of a change to the tax treatment of municipal bonds.

A fundamental principle of tax-exempt financing is the ability of states and local governments to determine what services are needed to serve their citizens and to finance such projects free from federal taxation on the interest on the bonds they issue. The historic exclusion of interest on state and local obligations from federal gross income, based on the tenants of federalism, was memorialized nearly a century ago in the Internal Revenue Code of 1913. Such services include the provision of electricity for those states and local governments that have accepted this responsibility. The Congress and the Administration should not interfere with this critical financing tool when job creation and infrastructure investment are so dependent upon its availability.

To the contrary, in light of national projections on increased electricity demand over the next few decades and the need to finance significant additions to the electricity production and delivery infrastructure, as well as the need for new jobs, Congress should increase public power’s ability and flexibility to issue tax exempt bonds.

**NWPPA’s Position**

* NWPPA support the continued ability of public power systems, as units of local government, to issue tax-exempt bonds.
* NWPPA opposes any proposals that would unduly restrict, adversely alter or eliminate public power’s use of tax-exempt bonds to serve its communities or change the ability of certain investors to claim the exemption.
* NWPPA supports legislation to provide adequate flexibility for public power utilities to most effectively use tax-exempt bonds.

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