

1 **Northwest Public Power Association**  
2 **Resolution 2018-08**  
3 **Support for Tax-Exempt Financing**  
4

5 **Background**  
6

7 Tax-exempt financing is the cornerstone of public infrastructure programs and an important  
8 resource for public power systems. The ability to issue these bonds allows communities to  
9 finance the furnishing of necessary local services, such as electricity, water, waste treatment,  
10 and advanced communications.  
11

12 The interest from these bonds is exempt from federal taxation, which creates a market for the  
13 otherwise low-yield investment instruments and allows for low-cost financing of local  
14 infrastructure projects.  
15

16 A fundamental principle of tax-exempt financing is the ability of states and local governments  
17 to determine what services are needed to serve their citizens and to finance such projects free  
18 from federal taxation on the interest on the bonds they issue. The historic exclusion of interest  
19 on state and local obligations from federal gross income, based on the tenants of federalism,  
20 was memorialized nearly a century ago in the Internal Revenue Code of 1913. Such services  
21 include the provision of electricity for those states and local governments that have accepted  
22 this responsibility. The Congress and the Administration should not interfere with this critical  
23 financing tool when job creation and infrastructure investment are so dependent upon its  
24 availability.  
25

26 In light of the need to finance significant additions to the electricity production and delivery  
27 infrastructure, as well as the need for employment and new jobs, Congress should preserve  
28 public power's ability and flexibility to issue tax-exempt bonds, including the ability to issue  
29 advance refunding.  
30

31 **NWPPA's Position**

- 32 • NWPPA supports the continued ability of public power systems, as units of local  
33 government, to issue tax-exempt bonds.
- 34 • NWPPA opposes any proposals that would unduly restrict, adversely alter, or eliminate  
35 public power's use of tax-exempt bonds to serve its communities or change the ability  
36 of certain investors to claim the exemption.
- 37 • NWPPA supports restoring the ability to advance refund municipal bonds.  
38

39 Origination Date: 1997, Revised 2005 and 2017, Archived in 2011 as (11-06), Revised and  
40 Updated 2013 and 2018.