Northwest Public Power Association
Resolution 2019-08
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 ability to issue these bonds allows communities to finance the furnishing of necessary local services, such as electricity, water, waste treatment, and advanced communications.

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

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.

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

NWPPA’s Position

- NWPPA supports 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 restoring the ability to advance refund municipal bonds.