

By: Turner

H.C.R. No. 82

CONCURRENT RESOLUTION

1 WHEREAS, Interest on municipal bonds has been excluded from
2 taxation since the enactment of the federal income tax in 1913; and

3 WHEREAS, Municipal bond tax exemptions provide state and
4 local governments with a subsidy to finance crucial infrastructure
5 projects; because municipal bonds are tax-exempt, investors are
6 willing to accept lower interest payments, thus reducing borrowing
7 costs for governments; and

8 WHEREAS, Approximately 6 percent of all bonds issued each
9 year in the United States are municipal bonds, and in 2016, state
10 and local governments issued nearly \$424 billion in tax-exempt
11 bonds, representing a six-year high and a 12 percent increase over
12 2015; governmental bonds typically fund schools, transportation
13 infrastructure, utilities, and other improvements, creating jobs
14 while improving the quality of life for area residents; and

15 WHEREAS, State and local governments make approximately 75
16 percent, the overwhelming majority, of our nation's infrastructure
17 investments, and many of those investments are financed with
18 municipal bonds; and

19 WHEREAS, The tax exemption for municipal bonds allows the
20 federal government to support infrastructure investment in a manner
21 that minimizes federal bureaucracy and maximizes community
22 decision making; and

23 WHEREAS, Over the years, the municipal bond market has
24 offered greater predictability than most, and it holds tremendous

1 appeal for individual investors, especially those of retirement
2 age; municipal bonds are owned disproportionately by households,
3 rather than by banks and other financial institutions, and a
4 Brookings Institution study found that the average age of municipal
5 bondholders was 62; and

6 WHEREAS, If the tax exemption for municipal bonds were to be
7 repealed, state and local governments would have to offer higher
8 returns to continue to attract investors, and taxpayers would pay
9 more for important infrastructure projects; increased debt service
10 costs would result in fewer such projects in an era in which the
11 safety and competitiveness of the nation's infrastructure gives
12 cause for tremendous concern; and

13 WHEREAS, For more than a century, the highly efficient
14 municipal bond market has helped to spur vital infrastructure
15 investment and associated job creation, and eliminating the federal
16 tax exemption would jeopardize these low-risk investment
17 opportunities; now, therefore, be it

18 RESOLVED, That the 85th Legislature of the State of Texas
19 hereby respectfully urge the United States Congress to retain the
20 tax exemption for municipal bonds; and, be it further

21 RESOLVED, That the Texas secretary of state forward official
22 copies of this resolution to the president of the United States, to
23 the president of the Senate and the speaker of the House of
24 Representatives of the United States Congress, and to all the
25 members of the Texas delegation to Congress with the request that
26 this resolution be entered in the Congressional Record as a
27 memorial to the Congress of the United States of America.