MUNICIPAL BOND TAX CHANGE WOULD COST SUFFOLK COUNTY MILLIONS, HURT LOCAL ECONOMY BISHOP, BELLONE, SAWICKI ANNOUNCE

04/09/13 Press Release/Congressman Tim Bishop

HAUPPAUGE – Suffolk County would be forced to pay millions more each year in borrowing costs if Congress eliminates the federal tax exemption for municipal bonds, Congressman Tim Bishop, Suffolk County Executive Steve Bellone, and Suffolk County Comptroller Joseph Sawicki, Jr. revealed today at a press conference in the H. Lee Dennison County Office Building.

Eliminating the interest exemption would lead investors to demand higher interest to make up the loss. Higher interest rates would increase borrowing costs for governments—which in turn could mean higher taxes for residents and less funding for teachers, fire and police officers, hospital workers, librarians, construction and maintenance workers, and vital infrastructure projects.

According to analysis by Comptroller Sawicki presented at the press conference, Suffolk's debt issuances under the current tax free system in 2012 cost $37,390,548.61. However, if the bonds and notes were issued with taxable interest, the cost to the county would increase to $50,172,759.70 – a jump of nearly $12.8 million for 2012 bond issues alone.

"It would be very unwise for us to eliminate the tax exemption for municipal bonds, because it really is just a cost shift from the federal government to the local governments," said Congressman Bishop. "We would either see higher property taxes or less of what Suffolk County needs."

Suffolk County programs and investments financed through municipal bonds and notes include:road and bridge repairs, farmland and open space preservation, Suffolk County Community College building renovation & expansion, the sewage treatment plant for Ronkonkoma Hub, and countless others.

"To have this tool that is so critical and so effective in promoting growth taken away from us by the federal government would be absolutely devastating," said County Executive Bellone. "Our economic growth and economic development plans in the County depend on the ability to issue tax free municipal bonds."

The interest exemption was recently the subject of a hearing in the House of Representatives' Committee on Ways and Means as a potential target in major tax reform legislation expected this year. President Obama's Commission on the Deficit also known as "Simpson-Bowles" after its co-chairmen, recommended that the exemption be eliminated for all new debt issuances.

All municipalities who issue bonds, including states, towns, and villages nationwide would see borrowing costs rise, further straining budgets and hampering investments in our communities.

Bishop noted that the American Society of Civil Engineers gave American infrastructure a D+ in its 2013 report card and that estimates of America's "Infrastructure Deficit," the difference between the status quo and the investments our nation needs to make to stay competitive and efficient are in the range of $2.5 trillion and growing.

Over the past decade, the value of all long-term tax-exempt bonds issued by New York State and its localities for physical infrastructure purposes totaled over $186 billion, a full 10% of the nationwide total.

“We cannot afford another million dollars in new taxes and mandates from Washington,” said Comptroller Sawicki. “The trade jobs and union jobs would be affected. You’d see less work, and therefore fewer jobs.”

In addition to his opposition to eliminating the municipal bond interest deduction, Bishop has also voted in Congress to protect the mortgage interest deduction and charitable giving deduction in an overhaul of the tax code.