

Bishop urges continuation of tax exemption on municipal bonds

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Rep. Tim Bishop (D-Southampton) has joined Suffolk County Executive Steve Bellone and County Comptroller Joseph Sawicki Jr. in calling on Congress to maintain the federal tax exemption for municipal bonds.

The potential elimination of the tax exemption on municipal bonds – which are routinely sold by local governments to finance projects including road repairs and park restorations – was recently the subject of a House committee hearing on tax reforms, Bishop said Tuesday at a news conference in Hauppauge.

Ending the exemption also is one of the recommendations made by President Barack Obama's Commission on the Deficit, co-chaired by Alan Simpson, a former Republican senator from Wyoming, and Erskine Bowles, a Democratic former White House Chief of Staff), Bishop said.

Bishop said local governments need to be aware of the implications of eliminating the exemption, saying it likely would make it more difficult for local governments to sell bonds needed to finance local projects.

"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," Bishop said. "We would either see higher property taxes or less of what Suffolk County needs."

Sawicki said if the tax-free bond system were eliminated, the cost to the county on bonds and notes issued with taxable interest would increase by nearly \$12.8 million a year.

"Our economic growth and economic development plans in the county depend on the ability to issue tax-free municipal bonds," Bellone said.