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Nassau and Suffolk's county executives have joined Rep. Tim Bishop (D-Southampton) in calling on Congress to maintain the federal tax exemption for municipal bonds.

At a hearing last month the House Ways and Means Committee examined the possibility of eliminating or capping the exemption on interest earned on municipal bonds as a way to help reduce the federal deficit. Local governments sell the bonds routinely to finance projects including road repairs and park restorations.

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, has recommended ending the exemption on all new municipal bonds.

Bishop said at a news conference in Hauppauge on Tuesday that 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.

"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 Bishop, who was accompanied by Suffolk County Executive Steve Bellone and county Comptroller Joseph Sawicki. "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.

Nassau County Executive Ed Mangano said Wednesday that "the proposal represents a cost that will hamper economic growth and could slow economic development opportunities."

Nassau Comptroller George Maragos called the possible elimination of the tax exemption "a hidden federal tax increase imposed on municipalities and local residents" that could "increase borrowing costs and reduce infrastructure investment destroying good-paying jobs."