

House Ways and Means Tax Policy Subcommittee Hearing:
Member proposals for improvements to the U.S. tax system

Thursday, May 12

10:00am

Longworth 1100

Chairman Boustany and Ranking Member Neal, thank you for providing the opportunity to testify. As you know, our tax code reaches into every sector of our economy and into every home across America.

I support having a tax-system that allows for everyone to keep as much of their hard-earned money as possible. Americans and their representatives in Congress agree: it's time to simplify the tax code. It naturally follows that we should analyze how that simplification will affect the country.

Here's one item that I think is working: the current tax-exempt status provided to municipal bonds. This is why I recently partnered with Congressman Ruppertsberger to create the Municipal Finance Caucus.

While serving in local government in Illinois, I saw firsthand the benefits provided by this reliable option for financing community development. I am talking about the roads we drive on, schools for our children, affordable family housing, water systems that supply safe drinking water, hospitals and clinics to treat the sick, airports and ports that help move products domestically and overseas, and utility plants that power our homes, businesses, and factories.

A 2013 study by local government groups found that if the tax exemption is eliminated or capped, then it is more costly to issue debt. These costs are real.

Building the Red Gate Bridge over the Fox River in 2011 would have cost the City of St. Charles, Illinois, an additional \$619,000 in interest costs without the exemption. Will County wants to build a new courthouse and law enforcement complex—affordably.

Washington disagrees on how to strengthen our infrastructure, but I believe decisions made by local communities handling local problems tend to be more efficient than one-size-fits-all policies from Washington. I like to think of this as “fiscal federalism.” And our colleagues agree.

Last year, Congressman Ruppertsberger and I were joined by 122 of our colleagues – Republicans and Democrats – in a letter to House leadership saying as much. I plan to submit this for the record.

Mr. Chairman, in your district, the St. Martin Parish School District issued bonds last year to build new schools and improve existing ones. The issuance would have cost \$1,200,000 more if the tax exemption were capped as called for in the President's Budget. Ranking Member Neal, Springfield, Massachusetts recently completed an issuance used to fund 22 separate projects including school renovations, road improvement, and HVAC work in the City Hall that would have cost the City and its taxpayers almost another \$7 million.

The U.S. municipal securities market is now a robust \$3.7 trillion. Unfortunately, the media likes negative stories: it's frustrating to see breathless articles on the latest debt collapse. Certainly we need to make sure debt is being issued and managed responsibly. But there are thousands of successful infrastructure projects across our great country—we must keep telling their stories.

We should also be thinking of ways that state and local governments can partner with the private sector to support job growth.

This is why I worked with Ranking Member Neal to introduce the Modernizing American Manufacturing Bonds Act, or "MAMBA." This legislation would update nearly 30 year-old rules on manufacturing bonds to help struggling manufacturers expand their businesses, invest in new equipment and facilities, and most importantly, hire more workers.

In my district manufacturing facilities employ more than 27,000 workers. Bison Gear is a family-owned company that uses manufacturing bonds to access low-cost capital to help them compete in the global economy.

MAMBA expands the number of eligible projects using manufacturing bonds to better reflect today's manufacturing sector.

Additionally, in the coming weeks I will be introducing a bill that offers necessary tax and accounting relief to America's small businesses which employ more than 50 percent of the country's private work force. They are the true engine of America's economy—we should treat them as such.

In closing, I would like to thank the Committee for providing me the opportunity to testify on the importance of preserving a robust municipal finance system. I would like to emphasize the importance of preserving the tax-exempt status of municipal securities, and legislation like MAMBA.