

Client Advisory | September 2012

The National Association of Bond Lawyers Releases White Paper on Federal Tax Reform Issues Relating to Tax-Exempt Bonds

On September 24, 2012, the National Association of Bond Lawyers ("NABL") released a white paper entitled *Tax Exempt Bonds: Their Importance to the National Economy and to State and Local Governments*. NABL's white paper and an accompanying executive summary, which catalog the policy considerations in support of maintaining tax-exemption for state and local bonds, come at a time when officials in Washington are debating strategies to reduce the gap in the federal budget between revenues and expenditures, including the elimination of "tax expenditures" such as bond tax exemption.

Among the points made in the white paper:

- ♦ Eliminating or curtailing tax-exemption for state and local bonds will result in less investment in infrastructure
- ♦ Changes to the exemption will increase state and local borrowing costs, and those costs will be passed on to the public

- ♦ The burden of eliminating or curtailing the exemption will not fall primarily on upper-income bond investors, but on state and local governments and their taxpayers and ratepayers
- ♦ Proposals to tax the interest on bonds that are already in the hands of bond investors will reduce the value of existing fixed-rate bonds and hurt those investors, most of whom are not upper-income

NABL's white paper can be found [here](#), and the executive summary can be found [here](#).

Lawyers in the Public Finance Department of Edwards Wildman Palmer LLP are closely following the tax reform debate, particularly as it pertains to tax-exempt financing. Please feel free to contact the Edwards Wildman lawyer responsible for your public finance matters or one of the authors linked below if you would like to discuss tax reform and how it may affect tax-exempt bond financings.

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