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## **My Turn: Keep Tax Exemption for Municipal Bonds**

by Beth Pearce

In October of 2009, the Champlain Bridge was forced to close after 80 years of continuous use, severing a vital link between Vermont and New York. Such an expensive, unexpected turn of events could have severely strained the State's balance sheet. But because of the federal tax exemption on municipal bonds, we were able to build a new bridge much cheaper than we might otherwise have.

In recent weeks, Congress has proposed eliminating the tax exemption for municipal bonds. Any step toward removing or capping this exemption would increase borrowing costs, placing a greater burden on Vermont's taxpayers and on investors who help us pay for critical infrastructure.

Why preserve the tax-exempt status of municipal bonds? Because states and municipalities save an average of 25 to 30 percent on interest costs compared to taxable bonds. The new Lake Champlain Bridge is a perfect example: municipal bonds formed the backbone of our financing plan. My office conservatively estimates the project cost would have increased more than \$2 million had these bonds been subject to taxation.

Just as the Lake Champlain Bridge relied on the special status of municipal bonds, odds are that your town relies on the savings they create. Just take a walk down Main Street where you live — roads and bridges, police and fire stations, water and sewer plants, schools, hospitals and colleges are just a few of the things that likely have been financed in part by municipal bonds.

If Congress eliminates this proven financial tool, the consequences would be far reaching. My office estimates that Vermont's taxpayers have saved more than \$85 million in interest costs over the past ten years on the State's bonds alone. If you add the 300+ Vermont cities, towns, school districts, colleges, hospitals and other agencies that also use municipal bonds, the savings are many times greater.

That's why I am joining with Senators Leahy and Sanders, Congressman Welch and 41 of my fellow State Treasurers from across the political spectrum to oppose any changes to municipal bonds. We know that our states and municipalities cannot afford to lose one of our best tools for a bright financial future.

Let's preserve the tax-exempt status of municipal bonds so Vermont can invest in the best future possible.

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