



Tax Priorities

Advance Refunding Bonds

While Members of Congress preserved tax-exempt municipal bonds in 2017's *Tax Cut and Jobs Act*, they eliminated a tool that towns and townships use in conjunction with municipal bonds to save money for our constituents. Advanced refunding bonds enable local governments to refinance bond issues and take advantage of more favorable interest rates. This saves our constituents money because it reduces the long-term costs of infrastructure projects like roads, bridges and fire stations, and allows us to pour those savings back into our communities. NATaT supports H.R. 5003, which would reinstate advance refunding bonds. It was introduced on February 13, 2018, by Reps. Randy Hultgren (R-IL) and Dutch Ruppersberger (D-MD).

High Quality Liquid Assets (HQLA)

NATaT also supports legislation that would treat certain municipal bonds as high quality liquid assets (HQLA) when calculating a bank's liquidity. H.R. 1624/S. 828 would amend a 2014 rule approved by the Federal Deposit Insurance Corporation, the Federal Reserve, and the Office of the Comptroller of the Currency that established a minimum liquidity requirement for large banking institutions and identified acceptable investments – deemed HQLA – to meet this requirement. All municipal bonds were excluded from the list of acceptable investment categories that can be deemed HQLA. These bills would change that ruling and allow certain municipal securities to be deemed HQLA. Excluding municipal bonds makes them less marketable and will ultimately result in higher borrowing costs for local governments.

The House passed H.R. 1624 on October 3, 2017 by voice vote. The Senate passed S. 828 as part of the *Economic Growth, Regulatory Relief, and Consumer Protection Act, S. 2155*, a Dodd-Frank reform bill, on March 14, 2018 by a vote of 67-31. For the legislation to proceed to the President, either chamber has to pass the other's bill. The Senate seems unlikely to pass H.R. 1624, as they have refused to do so for two congresses now. The likely path forward would involve the House passing S. 2155, but House Financial Services Chairman Jeb Hensarling (R-TX) will not do so until the Senate agrees to some of his Committee's Dodd-Frank reform provisions.

Tax Benefits for Volunteer First Responders

NATaT supports Congressional efforts to provide small tax incentives to recruit and retain volunteer fire and emergency management personnel. Volunteer firefighters alone save communities of all sizes \$129 billion a year, and represent 71% of all firefighters in the U.S. Of the total number of volunteer firefighters, 95% service communities with a population of 25,000 or less. Volunteer first responders provide the first line of defense for many types of emergencies, including fires, emergency medical incidents like the increasing number of opioid overdoses, natural disasters, terrorist events, and other public service calls. Recent reports, however, demonstrate that the number of volunteer firefighters has declined drastically due to difficulties in recruiting and retaining these essential volunteers. Reasonable financial incentives for volunteer firefighters and EMS personnel serve as important recruitment and retention tools for local emergency response departments who are struggling to meet the increased demand for their services.

NATaT supports the *Volunteer Responder Incentive Protection Act, H.R. 1550/S. 1238*, which would amend the Internal Revenue Code of 1986 to exclude property tax benefits and up to \$600 per year in other benefits provided to volunteer firefighters and EMS personnel from employment taxes and wage withholding. These benefits were in law from 2007 to 2010. With the ranks of volunteer fire and EMS personnel declining but still critically needed, the federal government should provide small incentives to these volunteers who risk their lives for little or no compensation. The cost of these incentives to the federal government are minimal compared to the estimated cost savings provided by volunteer emergency services.

Currently, VRIPA is included in both the House and Senate versions of the *Retirement Enhancement and Savings Act, H.R. 5282/S. 2526*. While not controversial, it is unlikely that this bill will move until after the November elections.

Online Sales Tax

NATaT supports efforts to require online and catalog retailers (remote sellers) to collect sales tax to allow Main Street retailers to compete on a level playing field. Legislation is needed to allow local and state governments to enforce their own sales and use tax laws on remote sellers and recover an estimated \$26.1 billion per year of lost revenues.

Sponsor and Cosponsor Information

[*Bold italics = NATaT member states*]

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H.R. 1624/S. 828 (HQLA)

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H.R. 1550/S. 1238, Volunteer Responder Incentive Protection Act**HOUSE SPONSORS**

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