

#BuiltByBonds Background

Fast Facts About Municipal Bonds

- The tax-exempt bonds issued by state and local governments, and nonprofit entities, have financed more than three quarters of our nation's infrastructure.
- In 2023 alone, nearly \$400 billion in new municipal bonds were issued.
- If allowed to grow and operate unabated, tax-exempt municipal bonds will likely finance another \$3 trillion in new infrastructure investments by 2031.

What Are Tax-Exempt Municipal Bonds?

- Tax-exempt municipal bonds, written into the first tax code in 1912, are debt securities issued by state and local governments to fund public projects. These bonds are unique because the interest earned by investors is typically exempt from federal income taxes, and often from state and local taxes as well.
- This tax-exempt status makes the bonds attractive to investors, allowing governments to borrow at lower interest rates. Savings from these lower rates are passed along to communities, allowing cities to stretch their dollars further.
- By reducing borrowing costs, tax-exempt bonds make it easier for cities and towns to invest in long-term public projects that improve quality of life, spur economic growth, and build stronger communities.

Why are Tax-Exempt Municipal Bonds Important?

- Cities of all sizes rely on tax-exempt municipal bonds as a critical tool to fund everything from schools and hospitals to roads and utilities—projects that are vital to the well-being of communities across the country.
 - They make large-scale projects financially feasible. Instead of relying solely on limited budgets or raising taxes, cities can use tax-exempt bonds to obtain the funds needed for major improvements at a much lower cost.
- However, with Congress expected to focus on sunseting tax provisions next year, the National League of Cities anticipates that the tax-exempt status of municipal bonds may be at risk.
 - Increased concern about the US's ballooning national debt have resulted in reduced funding in federal programs that benefit local government.
 - Federal savings from eliminating the tax-exempt status of municipal bonds will not offset the economic strain that will burden local governments (and their taxpayers) because those investments will become more expensive.
 - While NLC successfully fought to keep the tax-exempt status of municipal bonds during the last period of tax reform, the federal government stripped away several key funding provisions for cities (such as Advanced Refunding).