

RESOLUTION 2012-20

**A RESOLUTION IN SUPPORT OF THE
PRESERVATION OF TAX EXEMPT FINANCING**

WHEREAS, municipal bonds are the means by which state and local governments finance critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility system; and

WHEREAS, under current law the owners of municipal bonds are not required to pay federal income tax on the interest income they receive from the bonds; and

WHEREAS, this tax exemption is part of a more than century long system of reciprocal immunity under which owners of federal bonds are, in turn, not required to pay state and local income tax on the interest they receive from federal bonds; and

WHEREAS, this federal tax exemption provides a significant difference between public sector and private sector debt financing; and

WHEREAS, municipalities benefit from this tax exemption through substantial savings on the interest cost of borrowed money; and

WHEREAS, the benefit of lower capital costs attributable to tax exempt financing are passed on to property taxpayers through reduced rates, greater local investments, or both; and

WHEREAS, from time to time Congress and the President have proposed legislation to tax – or alter the federal tax exemption of – interest on municipal bonds;

NOW, THEREFORE BE IT RESOLVED, that the City of Cedarburg opposes any efforts by Congress and this, or any future, President to eliminate or limit the federal tax exemption on interest earned from municipal bonds.

BE IT FURTHER RESOLVED that a copy of this Resolution shall be sent to our Congressional Representatives.

Passed and adopted this 26th day of November, 2012.

Kip Kinzel, Mayor

Attest:

Constance K. McHugh, City Clerk

Approved as to form:

Kaye K. Vance, City Attorney