

RESOLUTION NO. 513

A RESOLUTION EXPRESSING CONCERN FOR TAX REFORM PROPOSALS BEING EXPRESSED AT THE FEDERAL LEVEL

WHEREAS, the President has submitted a tax reform package to the Congress designed to reduce tax rates, simplify and make the federal tax code more fair; and

WHEREAS, this tax reform proposal is being considered by Congress; and

WHEREAS, some of the recommendations in the proposed tax reform package are of concern to the City Council of the City of Wilsonville, and are as follows:

- Elimination of the deductability of state and local property, sales and income taxes; and
- Proposed restrictions on tax exempt bonds, including the "private purpose municipal bonds", the elimination of advance refunding bonding, the denial of interest deductions for financing institutions carrying municipal bonds; and extreme restrictions on arbitrage; and

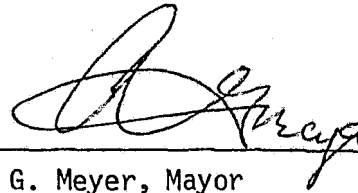
WHEREAS, Congress is proposing dramatic reductions in federal assistance to local government in Fiscal Year 1986 including the probable phaseout of federal revenue sharing; and

WHEREAS, the proposed proposals to reform taxes at the federal level would severely restrict our ability to meet local goals due to the restriction on tax exempt bonds, and the increased cost to our citizens if local property, sales and income taxes become non-deductable for federal tax purposes;

NOW, THEREFORE, BE IT RESOLVED that the City of Wilsonville opposes the tax reform proposal involving tax deductability, and tax exempt bonds which when combined with loss of federal revenue sharing funds will severely restrict our local ability to address our local service demands and will restrict our ability to raise financing for public projects while potentially increasing costs to our citizens by taxing funds paid for local property, sales and income taxes all at a time when our community growth needs are at a peak to meet the demands of local growth.

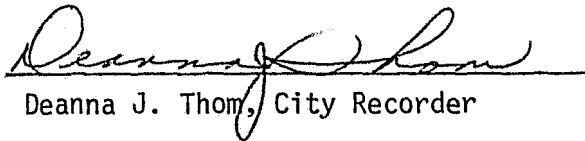
BE IT FURTHER RESOLVED that copies of this Resolution be delivered to the Oregon Congressional delegation as an expression of our deep concern over the extreme negative impact the tax reform package would have on our community.

ADOPTED by the Wilsonville City Council at its regular meeting thereof this 19th day of August, 1985, and filed with the Wilsonville City Recorder this same date.



A. G. Meyer, Mayor

ATTEST:



Deanna J. Thom, City Recorder

CITY OF WILSONVILLE  
**MEMO**

August 19, 1985

DATE

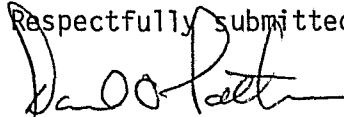
TO: Mayor and City Council  
FROM: Daniel O. Potter, City Administrator  
SUBJECT: Federal Tax Reform Proposals

I attach a copy of a memorandum and a proposed Resolution on the subject of the proposed Federal Tax Reform. Clearly, we need to address our legislators. If the proposed restrictions on tax exempt bonds and deductability of local property, sales and income tax, are imposed, we have no end of probable problems.

I have prepared for your possible action a Resolution framed similarly to the proposed League resolution.

I recommend you to consider enacting the Resolution and instruct the Mayor to communicate its contents to Senators Hatfield and Packwood, and to Representatives AuCoin, Denny Smith, and Wyden.

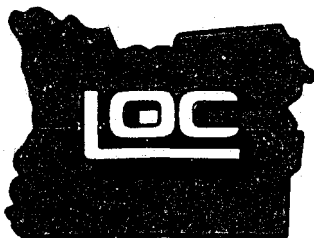
Respectfully submitted,



Daniel O. Potter

DOP/fr

Attachment



# League of Oregon Cities

SALEM: Local Government Center, 1201 Court Street N.E., P.O. Box 928, Salem 97308, Telephone: (503) 588-6466

EUGENE: Hendricks Hall, University of Oregon, P.O. Box 3177, Eugene 97403, Telephone: (503) 686-5232

## MEMORANDUM

TO: Oregon City Mayors

FROM: Ed Ferguson, Executive Director *EF*

RE: Federal Tax Reform Proposals

DATE: August 8, 1985

In late May of this year, the Administration's tax reform proposals were unveiled by President Reagan. The package suggests imposing restrictions on tax exempt bonds and terminating the deductibility of state and local property, sales and income taxes. The intent of this letter is to discuss the effects of these federal tax proposals on Oregon cities and to ask for your assistance in corresponding with our Oregon Congressional delegation.

With reference to the deductibility question, Oregon taxpayers will perceive the real cost of state and local services to have increased if they can no longer deduct state and local taxes on their federal income tax returns. The taxpayer will then react by expecting reductions in local programs and expenditures, or at the very least, will be reluctant to increase property taxes for community endeavors. Administration sources have said that the President's proposal will force a reduction in state and local expenditures, which they think is a worthy goal of national tax policy.

The elimination of the tax exempt status of bonds would also severely impact Oregon's cities by increasing borrowing costs for local government. The following provisions of the Administration's bond proposals should be noted:

1. Interest on "private purpose" obligations issued by a state or local government would be taxable. If more than one percent of the proceeds of an issue were used directly or indirectly by any person other than a state or local government (i.e., the private sector), then bonds are declared to be "private purpose" and therefore taxable. This proposal would eliminate the public/private cooperative financing efforts that many local communities have used to meet their financial needs.

2. Issuers of bonds would be required to rebate to the U.S. Treasury all funds derived from arbitrage beyond those amounts needed to pay principal and interest payments on a bond issue. Arbitrage means interest earnings from the short-term investment of bond proceeds.
3. The deductibility of interest costs for bank purchases of municipal bonds would be eliminated.
4. Advance refunding would be prohibited for all tax exempt bonds.
5. The President's plan calls for the reduction of "marginal tax rates" from 50% to 35%. This change would have the effect of lowering the tax savings available to purchasers of municipal bonds and, as a result, rates on tax exempt bonds would have to be increased in order to make them more marketable.
6. A new federal bureaucracy would be required to monitor a new reporting requirement proposed in the tax reform policies. Reports must be submitted to the federal government on all tax exempt bond issues.

We are providing with this letter a draft resolution, along with additional information pieces, which we hope will be of use to you. Senator Packwood, Chair of the Senate Finance Committee, will be in Oregon during the month of August, and it is important that he, as well as other members of the Oregon Congressional delegation, hear from you this month. You may wish to do this by sending your Congressman an adopted resolution and by making written, telephone, or personal contact. Specifically, members of Congress need to know of the financial or project-specific adverse impacts your community will have if the Administration's tax proposals were to pass.

A sheet listing addresses for the Oregon Congressional delegation is enclosed for your reference. The League would also appreciate receiving a copy of whatever correspondence or resolution you might adopt.

The Oregon Municipal Finance Officers Association is currently working in concert with the League in developing further information which might be of use to you in acting on the tax proposals. In the meantime, please contact Dick Townsend of our staff if you have any questions or comments.

Thank you in advance for your support. Your prompt action is critical to all cities in Oregon.

EEF:kab  
Enclosures  
cc: City Managers/Recorders

OREGON CONGRESSIONAL DELEGATION

U.S. REPRESENTATIVES

Les AuCoin: District 1 - Dem.

1220 S.W. 3rd, #1716  
Portland, OR 97204

221-2901  
1-800-422-4003

2159 Rayburn House Office Building  
Washington, D.C. 20515

(202) 225-0855

Bob Smith: District 2 - Rep.

1150 Crater Lake Ave., Suite K  
Medford, OR 97504

776-4646  
1-800-533-3303

118 Cannon House Office Building  
Washington, D.C. 20515

(202) 225-6730

Ron Wyden: District 3 - Dem.

500 N.E. Multnomah, Suite 250  
Portland, OR 97232

231-2300

1406 Longworth House Office Building  
Washington, D.C. 20515

(202) 225-4811

Jim Weaver: District 4 - Dem.

211 E. 7th, Suite 287  
Eugene, OR 97401

1226 Longworth House Office Building  
Washington, D.C. 20515

(202) 225-6416

Denny Smith: District 5 - Rep.

4035 12th St. S.E., #40  
Salem, OR 97302

399-5756  
1-800-452-7889

1213 Longworth House Office Building  
Washington, D.C. 20515

(202) 225-5711

U.S. SENATORS

Mark O. Hatfield - Rep.

555 S.W. Yamhill. #114 Pioneer Court House  
Portland, OR 97204

221-3386

475 Cottage N.E., Salem, OR 97301

399-5731

322 Hart Senate Office Building  
Washington, D.C. 20510

(202) 224-3753

Bob Packwood - Rep.

1220 S.W. 3rd, #385  
Portland, OR 97204

221-3370

259 Russell Senate Office Building  
Washington, D.C. 20510

(202) 224-5244

## RESOLUTION

WHEREAS, the President has submitted to Congress a tax reform package to reduce tax rates, reduce complexity, and increase fairness in the federal tax code; and

WHEREAS, this tax reform package is currently being considered in Congressional hearings through the calendar year; and

WHEREAS, several recommendations in the tax reform package are of concern to the City of \_\_\_\_\_, including:

- \* elimination of the deductibility of state and local property, sales and income taxes; and
- \* proposed restrictions on tax exempt bonds, including the taxing of "private purpose municipal bonds;" the elimination of advance refunding bonding; the denial for deduction of interest with financial institutions which might carry municipal bonds; and severe restrictions on arbitrage; and

WHEREAS, Congress has adopted through budget deliberations dramatic reductions in federal assistance to cities in FY 1986, including the phase-out of federal revenue sharing; and

WHEREAS, tax reform proposals would radically affect the tools available to our city for accomplishing local goals, would restrict local government's use of tax exempt bonds for municipal purposes, would increase the cost to our local government for municipal facilities, and would shrink the market for tax exempt municipal bonds;

NOW, THEREFORE, BE IT RESOLVED that the City of \_\_\_\_\_ opposes the tax reform provisions involving tax deductibility and tax exempt bonds which, combined with the federal budget cuts, our city will find devastating to our ability to address service demands and to raise capital for public purposes; and further, the proposals in the tax reform package would adversely affect our capability to interact with private enterprise in facing city needs at a time when cost-efficient program financing is needed; and

BE IT FURTHER RESOLVED that city staff shall forward a copy of this resolution to members of the Oregon Congressional delegation and express its concern that the proposed tax reform measures in the Administration's proposal would have numerous negative impacts on our city, as well as all other cities in the State of Oregon.