



## GOVERNMENT FINANCE OFFICERS ASSOCIATION 2012 LEGISLATIVE AND REGULATORY AGENDA

In 2012, congressional and regulatory priorities continue to focus on measures that could adversely affect state and local governments. These include budget and federal deficit reduction proposals that reduce funding to state and local governments, federal tax reform initiatives that might eliminate or curtail the federal tax exemption on municipal bond interest and state and local tax deductions, federal regulation of public pension plans, and numerous rulemakings to implement the *Dodd Frank Act*. The GFOA's Federal Liaison Center will stay vigilant in monitoring these legislative and regulatory activities and in working to advance the public policy positions adopted by the GFOA membership. The association's legislative and regulatory priorities for the year are listed below.

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### **Federal Budget**

GFOA will monitor and inform our members about various short and long term proposals to manage the federal budget, including cuts to programs important to state and local governments.

### **Collection of Sales Taxes on Internet Sales**

GFOA supports legislation known as the *Marketplace Fairness Act*, S. 1832, which would allow for the collection of taxes from sales made by remote means (e.g., internet and catalog), and will work towards having it adopted by the Senate and the House. GFOA will oppose any efforts to include provisions in legislation that would limit the amount of tax that local governments can collect on remote sales, as well as oppose mandates for state and local governments to simplify their telecommunication tax structures before being able to collect taxes on remote sales.

### **Deductibility of State and Local Taxes**

GFOA will work to ensure that any proposals to limit or eliminate the federal deduction of state and local taxes are defeated. GFOA continues to support legislation that would permanently allow taxpayers to deduct state and local sales taxes on their federal tax return.

### **Preemption of State and Local Government Taxes**

Telecommunications Taxation. GFOA, in conjunction with our other local government partners – the National League of Cities, the National Association of Counties, and the U.S. Conference of Mayors, will vigorously oppose efforts to preempt state and local governments from assessing taxes and fees on various communication services.

State and Local Hotel and Rental Car Taxes. GFOA opposes any efforts by Congress restricting the ability of states and localities from collecting hotel taxes on the full rental price that hotel occupants pay when renting rooms through online travel companies (e.g., Expedia, Travelocity, Hotels.com). Additionally, GFOA opposes any efforts to preempt the ability of state and local governments to levy rental car taxes and fees that are appropriate for their jurisdiction.

### **Municipal Bonds**

Changes to Tax-Exempt Status. In 2011, both Congress and the Administration made a number of proposals that would diminish or eliminate the federal tax exemption on municipal bond interest. As Congress starts taking a serious look at comprehensive tax reform and ways to pay for other federal initiatives, GFOA will watch for any proposals to cap the amount of interest certain high income earners can exempt from their federal taxes, eliminate the federal tax exemption altogether, or limit the purposes for which tax-exempt bonds may be issued. GFOA will work with our state and local government association partners to educate Congress on the importance of tax-exempt bonds and how they serve as the primary finance vehicle to meet our country's infrastructure goals.

## **Municipal Bonds, continued**

**Bank Qualified Debt Limit.** The annual bank qualified debt limit was set at \$30 million for 2009 and 2010 but reverted back to \$10 million in 2011. Legislation introduced in the Senate, S. 1016, would permanently increase the annual bank qualified debt limit to \$30 million. GFOA is working with our industry partners to have the same stand-alone legislation introduced in the House and included in any tax bill that may come forward in 2012.

**Disclosure Standards.** In 2012, the SEC is likely to look to increase its authority over the municipal securities industry, including issuers of municipal securities. A special report led by SEC Commissioner Elise Walter is expected to be published in the first half of the year and may include new disclosure standards and requests to give the SEC more authority over issuers of municipal securities. GFOA and its state and local government partners will work to thwart such efforts.

**Implementation of the Dodd-Frank Act.** GFOA is expecting regulations that affect municipal securities issuers and the professionals they hire to be proposed and finalized this year, and will comment on the rules in order to protect the interests of state and local governments. These expected new rules include: a new regulatory framework over financial advisors; changes to regulations over broker/dealers; new credit rating agency regulations; a new regulatory regime for the derivatives market; and the formation of a new fee to pay for the Governmental Accounting Standards Board (GASB).

## **Public Pensions and Retirement Savings**

GFOA along with other Public Pension Network members representing both the retirement system and state and local government communities will continue to educate members of Congress regarding the true fiscal condition of public pension systems, as well as oppose congressional proposals to undermine state and local governments' authority to effectively govern and finance their pension plans.

In particular, GFOA will continue to monitor legislation introduced early in 2011 by Reps. Devin Nunes (R-CA), Paul Ryan (R-WI) and Darrell Issa (R-CA), (H.R.567, S.347), which seeks federal regulation of state and local government pension plans. The bill would require states and local governments to report to the Treasury Department their financial data using federally-proscribed methodologies and valuations, including, among other things, a "market value of liabilities." State and local government plan sponsors who do not comply with the legislation's reporting requirement risk losing their ability to issue tax-exempt bonds, as well as receive direct subsidies payments for outstanding Build America Bonds other direct subsidy bond programs.

## **Investments**

Regulations affecting public sector investments and various finance professionals used by state and local governments will likely be forthcoming throughout the year. Additionally, the SEC is expected to propose changes to money market mutual funds that could adversely affect government investments (e.g., changes to the stable net asset value feature of these products). GFOA will meet with appropriate staff and submit comment letters to ensure state and local governments are protected but are able to still use finance tools that are important to our sector.

## **Health Care Reform Implementation**

GFOA will continue to monitor regulations related to the implementation of the *Patient Protection and Affordable Care Act*, which remains largely the jurisdiction of the Departments of Health and Human Services, Treasury and Labor. These agencies continue to publish guidance to help define what the law requires of employers, insurers and participants alike. GFOA will advocate for a regulatory approach that allows states and localities to utilize the most cost effective means of complying with the health care law, while offering appropriate benefit options to employees and retirees.