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November 12, 2017

The Honorable Orrin Hatch, Chairman
U.S. Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch:

On behalf of the International City/County Management Association (ICMA)'s 11,000+ members, I am writing to you to express our deep concern about changes proposed to the tax code.

Provisions relating to state and local government financing: There are two provisions in your bill that will have the effect of raising local costs for essential local government services and projects and we respectfully urge you to:

- Restore advance refunding for local governments. Municipal bonds are used by local and state governments to finance infrastructure. If Congress repeals the ability for municipalities to refinance their bonds at lower rates outside the 90-day period before bonds come due, we face higher costs to build schools, hospitals, airports and other critical infrastructure. That means that there will be less infrastructure investment. In 2016, the advance refunding of more than $120 billion of municipal securities saved taxpayers at least $3 billion.

- Retain the deduction for state and local taxes for individuals. Since 1913, the federal government has respected the importance of allowing state and local governments to raise the revenues they need to pay for essential public services. Eliminating this deduction has a disparate effect on homeowners simply due to where they live.

There are issues of fairness with both of these provisions as the Senate bill allows corporations to advance refund their bonds and to deduct their state and local taxes.

Provisions relating to professional associations: There are provisions that would impact the ability of organizations such as ICMA to effectively fulfill our mission to create better communities through professional local government management.

- Name and logo royalties treated as unrelated business income tax (UBIT): Royalties closely resemble other passive income for tax-exempt organizations – such as rent, interest and dividends and as such should not be taxed when there is little service offered by the tax-exempt organization in return for the payment. Royalties are a significant source of non-dues revenue or non-contributed revenue that can be reinvested in education, skills training, standard-setting, research and other activities critical to our mission. ICMA specifically uses our resources to promote adherence to our Code of Ethics and to provide free or low cost professional development programs to our members and other local government staff.

- Nonqualified deferred compensation: Eliminating 457 plans outright, without at a minimum, grandfathering existing arrangements, is unfair. It would hurt nonprofit employees who in good faith entered into contractual agreements with their employers, and are counting on this benefit as part of their retirement planning. This provision also hurts nonprofit employers in attracting and retaining top talent.

I request that you consider the positive work of the local governments and the professional associations and ask that you give these issues careful consideration as you finalize the bill and consider amendments.

Thank you for your consideration.

Marc Ott
Executive Director
International City/County Management Association