1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

PROTECT LOCAL AUTHORITY AND REVENUE

With over 12 percent of the nation's population, California boasts the largest and most diverse state population in the country. Its cities are home to the majority of the state's 38 million population and their population growth is expected to continue. Preparing for this increase, while providing critical police, fire, and community services and maintaining our economic stability, has been significantly challenging for California cities. It is essential to preserve cities' local authority so they can respond quickly and effectively when demanding fiscal situations arise and to continue to provide vital services. Through this authority, California cities will continue to develop and implement revenue generating strategies that are capable of supporting strong future economic growth.

The following priority issues are critical for cities' fiscal stability and growth:

Protect the Tax-Exempt Status of Municipal Bonds: The League opposes any attempt to eliminate or limit the tax exemption for municipal bonds, whether as a part of a deficit reduction plan, a push for comprehensive tax reform or as an offset for new spending. Tax-exempt municipal bonds are one of the primary financing mechanisms for state and local infrastructure projects. In the last decade, state and local governments financed over $1.65 trillion of infrastructure investment using tax-exempt bonds. Policies that alter or eliminate the current tax-exempt status of municipal bonds could cost local government billions of dollars and impact job creation in California and across the country.

Preserve and Expand the Low-Income Housing Tax Credit (LIHTC): The LIHTC is the primary vehicle for low-income housing development in California. Between 1987 and 2015, over 4,000 projects have been developed in the State, which provide over 324,000 low-income housing units. While the LIHTC Program has historically received bipartisan support in Congress, tax reform legislation in 2017 could significantly impact it, even if the program itself is left in place. For example, since investors in LIHTC developments receive a dollar-for-dollar credit against their tax liability for a 10-year period, changes in tax rates that reduce their tax liability may also decrease their interest in investing in LIHTC developments, and lessen the amount of equity they provide when making such investments. The League urges Congress to consider the impact of changes in tax law on the viability of this critical program, and to work to maintain its effectiveness in addressing the nation's homeless and affordable housing needs. In addition, the League supports bipartisan legislation in the House and Senate to provide a 50% expansion of the LIHTC through 2020 and a permanent 4% rate for both acquisition and tax-exempt bond-financed developments.

Close the Online Sales Tax Loophole: As the internet economy continues to grow, cities are experiencing significant challenges pertaining to the collection of taxes owed on internet retail purchases and transactions occurring through online-based ventures such as online travel and sharing economy companies. The League supports the closure of the online sales tax loophole and e-fairness legislation, like the Marketplace Fairness Act, which would allow states to require online retailers collect sales tax at point of sales, as brick-and-mortar business do currently. This legislation would place community businesses on a level playing field with online retailers and afford consumers more choice through fair competition. In addition, collecting owed sales taxes means more money for basic services, such as roads and police officers, without increasing the overall federal deficit.