

VILLAGE OF CHATHAM, ILLINOIS

RESOLUTION NO. 2-89

PRESERVE TAX-EXEMPT BONDS FOR
STATE AND LOCAL GOVERNMENTS

WHEREAS, the federal, state, and local governments all share in the responsibility of building and maintaining the nation's physical and institutional infrastructure and in providing essential services needed to promote the general welfare, and

WHEREAS, the federal government has steadily reduced its responsibility for infrastructure requirements, and has shifted more and more financial responsibility to states and units of local government, and

WHEREAS, shifting the tax burden from the national level to state and local governments is an illusory savings for taxpayers and provides no net tax relief, and

WHEREAS, financing state and local government projects through the issuance of bonds the interest on which is not taxed by the federal government is critical to allow states and local governments to exercise the responsibilities entrusted to and expected of them, and

WHEREAS, in recent years, the U.S. Congress has both limited the use of tax-exempt bonds by states and local governments, and made municipal bonds less attractive to significant groups of purchasers, thereby driving up the cost of financing public service projects, and

WHEREAS, in 1988 the U.S. Supreme Court overturned a 100-year-old precedent, ruling for the first time that the Constitution does not prohibit the federal government from taxing the interest on state and local government bonds, and

WHEREAS, the Supreme Court decision places in jeopardy the use of tax-exempt bonds by the more than 85,000 units of state and local government, as Congress seeks new sources of revenue to reduce the federal deficit, and

WHEREAS, state and local borrowing costs will increase by an estimated 20 to 30 percent if the interest on tax-exempt bonds is subject to federal income tax, and this added burden will be reflected in reductions in public services or by increased state and local taxes, and

WHEREAS, further restrictions on the use of tax-exempt bonds will seriously impair the ability of state and local governments to finance essential services and facilities, including schools, roads, water, sewer, gas, electricity, transportation and other basic functions, to the detriment of all citizens,

NOW, THEREFORE, BE IT RESOLVED that the Village of Chatham, County of Sangamon, State of Illinois, calls upon Congress and the President to recognize that the state and local burden of maintaining and expanding the national infrastructure and providing citizens with needed basic governmental services cannot be met without tax-exempt bonds, and to resist all further efforts to reduce the use of such bonds to finance governmental projects.

PASSED by the President and Board of Trustees of the Village of Chatham, Illinois on the 24th day of JANUARY, 1989.

AYE: 4

NAY: 0

Barbara Bickhaus
Village Clerk of the Village
of Chatham, Illinois

APPROVED by the President of the Village of Chatham, Illinois this 24th day of JANUARY, 1989.

Edward E. Osman
President of the Village
of Chatham, Illinois