

LEGISLATIVE ISSUE BRIEF

March 2017

TAX ISSUES: HIGHWAY TRUST FUND; TAX EXEMPTION FOR MUNICIPAL BONDS; COMMUTER TAX BENEFIT; ALTERNATIVE FUELS TAX CREDITS

Comprehensive tax reform has been on the Congressional agenda for a number of years, and was generally viewed as an improbable goal. However, with the 2016 elections resulting in unified Republican control of both the Legislative and Executive branches, the probability of a tax reform bill becoming law increased substantially. Although specific policy details are not yet available, a 2016 House Republican tax reform blueprint suggests that a plan will be introduced that would eliminate most tax credits and deductions in order to lower corporate and individual tax rates.

Therefore, it is possible that Congressional tax writers could propose eliminating the tax-exempt status of municipal bonds, the 50 cent per gasoline gallon equivalent (GGE) tax credit offered to transit agencies fueling their vehicles with compressed (CNG) or liquefied (LNG) natural gas, the Alternative Fuels Property (infrastructure) Credit, and the transit commuter benefit (along with the corresponding parking benefit) for employers and employees.

The Trump Administration is promising to release a proposal in the near future, and Republican Congressional leadership is expected to release a plan this year as well. Some key Congressional leaders have called for passing tax reform in a bipartisan manner, but it is possible that this legislation could be passed by Congress using “reconciliation,” which is a budgetary procedure that cannot be filibustered and would allow it to pass with simple majorities in the House and Senate.

APTA will continue to advocate for the preservation of tax provisions that benefit U.S. transit agencies and their riders. APTA will also continue to insist that Congress use any tax bill as an opportunity to provide increased funding for public transportation programs and put the Highway Trust Fund on a sustainable path.

APTA POSITION

- **Any comprehensive tax legislation must address the solvency of the Highway Trust Fund and provide increased funding for an infrastructure initiative that includes public transportation.**
- **APTA urges Congress to fully preserve the long-established federal law that ensures interest earned on municipal bonds is exempt from federal taxation.**
- **APTA urges Congress to preserve the transit commuter benefit for employers and constituents who use public transportation to get to work.**
- **APTA urges Congress to preserve and permanently extend tax credits for alternative fuels and related infrastructure. These credits promote natural gas transit fleets, reducing dependence on imported fuel and expanding the affordability and diversity of agency fueling options.**
- **Congress should also expand the alternative fuels tax credits to include electric and hybrid electric vehicles.**