

The American Infrastructure Bonds Act of 2020

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In past financial crises, Congress has used its authority to provide additional tax relief for bonds to expand investor interest in the market. The loss of revenue from the COVID-19 outbreak has created numerous budget challenges for state and local governments. Municipalities across the country will struggle to finance new and ongoing infrastructure projects while they recover from these revenue losses. Rural communities have been particularly hard hit. Issuing American Infrastructure Bonds (AIBs) could help local municipalities and counties raise much-needed capital for a wide range of infrastructure projects. AIBs would be similar to the “Build America Bonds (BABs)” that Congress created following the 2008 financial crisis, but would have important improvements.

What are American Infrastructure Bonds?

- American Infrastructure Bonds (AIBs) would allow state and local governments to issue taxable bonds for *any* public purpose expenditure that is eligible to be financed with tax-exempt bonds.
- AIBs would be available to all state and local governments to use as they determine what is best for them.
- AIBs would be modeled as a “direct-pay” taxable bond.
- The Treasury Department would make direct payments to the issuer of the bonds at 35% after the date of enactment and down to an estimated revenue neutral rate of 28% starting in 2026.
- AIBs would improve upon BABs because the Treasury payments are exempt from sequestration.
- AIBs have the potential to attract investment in local communities from a wider range of investors, such as pension funds and foreign investors that are not typically interested in tax-exempt municipal bonds. This will be advantageous for rural communities, as well.
- AIBs could be used for any expenditure that is eligible to be financed with tax-exempt bonds including roads, bridges, tunnels, canals, ports, water systems, sewage treatment facilities, storm water management systems, pipelines, utility system expansions and environmental and safety upgrades, long-term natural gas supplies for municipal utility gas distribution systems and electric generation facilities, long-term supplies of electricity for municipal electric utility systems including renewable energy projects, broadband and other telecommunications systems, rail facilities, subways, and other purposes.

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The American Infrastructure Bonds Act would amend Subchapter B of chapter 65 of the Tax Code to provide a credit to issuers of American Infrastructure Bonds. The Secretary of the Department of Treasury would be given the authority to make direct payments to the issuer of the bonds on each interest payment date.

Support: The National League of Cities, the National Association of Counties, the Government Finance Officers Association, the American Public Gas Association, the National Association of Bond Lawyers, the Bond Dealers of America, American Society of Civil Engineers, American Council on Education, the Securities Industry and Financial Markets Association, and the American Planning Association.

