The American Infrastructure Bonds Act

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The COVID-19 outbreak has forced state and local governments across the country to make difficult financial decisions, including canceling important infrastructure projects. This is particularly burdensome for rural communities that have already faced decades of delays to public projects. Previously, to generate expanded interest in the municipal bond market, Congress created a class of taxable bonds known as the Build America Bonds (BABs). These bonds successfully attracted billions of dollars into critical infrastructure investments. Instituting American Infrastructure Bonds (AIBs), which are similar to BABs but with important improvements, would help local municipalities raise much-needed capital for a wide range of infrastructure projects, helping our communities emerge from the pandemic and thrive for years to come.

What are American Infrastructure Bonds (AIBs)?

- 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 modeled as a "direct-pay" taxable bond. The Treasury Department would make direct payments to the issuer of the bonds at a rate of 28 percent.
- Improving upon BABs, AIBs would be available to all state and local governments to use as they determine what is best for them. Additionally, unlike BABs, AIBs would be exempt from sequestration and the bonds would be available for additional uses in addition to capital improvements.
- AIBs have the potential to attract investment in local communities from a wider range of investors than are typically interested in tax-exempt municipal bonds – such as pension funds, insurance companies, endowments, and foreign investors. This will be advantageous for bringing investment into 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 others.

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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, the Securities Industry and Financial Markets Association, the International City/County Management Association, American Council of Life Insurers, American Planning Association, Ambac, National Railroad Construction and Maintenance Association, American Institute of Architects, the Insured Retirement Institute (IRI), and the Mississippi Municipal League.