



March 12, 2025

Dear Mayor and Honorable Members of Common Council:

**RE: Discussion on Tax-Exempt Status of Municipal Bonds**

The City of West Allis, like many communities and economic developers around the country, utilize tax-exempt municipal bonds for project borrowing. Recently, Congress has started discussions about eliminating the “tax exempt status” for municipal bonds. The tax exemption on municipal bonds is crucial to driving economic growth and sustaining public infrastructure essential to the City of West Allis.

**West Allis borrows over \$10 million a year in tax exempt bonds to assist the City with City in replacing aging and failing public infrastructure.**

*Background:* For over a century, tax-exempt municipal bonds have been the primary tool by which state and local governments, not-for-profits, and economic developers finance large-scale public projects that are fundamental to economic vitality and quality of life. These bonds allow for financing essential infrastructure that powers job creation and enables long-term economic prosperity. The tax exemption reduces borrowing costs, making it feasible for economic developers to undertake projects that benefit all Americans, from urban to suburban and rural areas.

*Impact:* If the tax exemption on municipal bonds would go away, the City of West Allis could experience approximately \$5 million increase over 10 years that will be absorbed by the West Allis taxpayers. Beyond West Allis, municipalities across the country, including state and local governments, rely on these bonds to finance:

- Critical infrastructure
- Schools, hospitals, affordable housing, water treatment facilities, and transportation systems
- Catalysts for regional economic growth, attracting businesses, supporting a skilled workforce, and enhancing the standard of living.

Eliminating or limiting the tax exemption on municipal bonds would impact West Allis in the following manner:

- **Produce higher costs for infrastructure projects**
- **Deter private investment and impact job creation**
- **Increase the financial burden on businesses and taxpayers**



As staff, this information is purely to provide an update of the potential risk at a high level and that the team continues to monitor the discussions and impacts of possible legislation. Information and notices have been sent from the League of Cities and the International Economic Development Council.

If you have any questions or ideas, please feel free to contact Jason Kaczmarek, Finance Director or myself.

Regards,

Patrick Schloss  
Executive Director  
Economic Development