

Investing in Georgia

Economic Development Newsletter



Welcome to King & Spalding's economic development news bulletin, *Investing in Georgia*. In this edition, you will find:

- A report regarding the ongoing battle by state and local officials to preserve access to the tax-exempt bond market
- News about trade talks between the US and the Eurozone promoting job retention, economic growth and international competitiveness
- A look-back at the last major tax reform in the U.S. – the Tax Reform Act of 1986

We hope you find this helpful, as we partner to keep Georgia a great place to live and work!

Bill Holby
King & Spalding Economic Development Practice Group

Recent Developments

With Friends Like This... On March 8, 2013, the IRS Office of Tax Exempt Bonds released a report entitled "Avoiding Troubled Tax-Advantaged Bonds: A Study of Issuer Compliance Considerations". The full 38-page document can be found [here](#). While the IRS is to be commended for its ongoing efforts to provide guidance to issuers of tax-advantaged bonds, there was general consensus following release of the report that this particular set of guidelines extended well beyond the normal purview of the IRS regarding federal tax law matters. [More »](#)

Tough Talk from the SEC. When the Securities and Exchange Commission recently accused the State of Illinois of misleading investors about the condition of its public pension program, it was only the second time in history that the federal agency has taken action against a state for securities fraud. That could soon change. The SEC's head of municipal securities recently commented that he'd like to see the agency step up its enforcement measures, as he seeks to define his office's role. [More »](#)

In The News

Broad Support for Municipal Bond Exemption. On Wednesday, February 27, 2013, the National Association of Counties, the National League of Cities and the U.S. Conference of Mayors held a press conference where they called on

March 2013

By the numbers

2/3/1913

The date on which the 16th Amendment to the US Constitution was ratified (100 years ago last month) authorizing the individual federal income tax. The top marginal tax rate was 7% in 1913, as compared with 39.6% today

10.5

Number of years by which life expectancy at birth of Americans has increased in the last 60 years, reaching 78.7 years today.

1.76%

Yield on the 10 year Treasury note on 12/31/12. The yield was 3.82% on 12/31/02, which means the government can borrow 117% more money today than it did 10 years ago for the same annual cost.

677

The "bottom" for the S&P 500, which occurred on March 9, 2009. In the four years since then, the stock index has gained 124%, closing at 1518 on March 1.

Congress and the Administration to "reject any proposals to hamstring the financing of local infrastructure projects by changing the tax-exempt status of municipal bonds." [More »](#)

Speaking of Which... Sequestration Hits Direct-Pay Bonds. The American Recovery and Reinvestment Act of 2009 allowed, for a limited period of time, the issuance of taxable state or local bonds for which the U.S. Treasury Department pays the issuer a specified percentage of interest on the bonds, with the percentage depending on the applicable type of direct-pay bonds. On Friday, March 1, 2013, the President signed an executive order reducing budgetary authority to accounts subject to sequester, including payments to issuers of direct-pay bonds. [More »](#)

President Obama Launches Talks On Transatlantic Trade And Investment Partnership. During the State of the Union Address on February 12, 2013, President Obama announced that the United States will launch comprehensive talks with the European Union regarding the Transatlantic Trade and Investment Partnership ("TTIP"). Under current practice, the Obama Administration will send written notice to Congress 90 days prior to the commencement of formal negotiations, and will consult with Congressional committees including the House Ways and Means Committee and the Senate Finance Committee, the two committees with primary jurisdiction over international trade matters. The European Union must also request a negotiating mandate from its Member states. [More »](#)

Looking Ahead

Sine Die! As the Georgia General Assembly works feverishly to complete its 2013 legislative session, major pieces of legislation remain unfinished. Gun rights, trauma care, juvenile justice reform and the FY 2014 budget were all in process as the final days unfolded. We look forward to bringing you a summary of key legislative developments in an upcoming edition!

Lessons from the Tax Reform Act of 1986. As a partisan Congress and a disengaged Administration prepare to debate a possible grand bargain regarding taxing and spending, debt and deficit, it might be instructive to review the reasons for the passage of the Tax Reform Act of 1986 - the last major simplification of the tax code. The law drastically reduced tax rates, broadened the tax base and eliminated many tax shelters and other preferences. [More »](#)

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121%

Average increase in single-family home prices in the U.S. over the 15 years from 12/31/91 to 12/31/06. Over the next five years, those prices fell 19%; during 2012, home prices rose again, by 5%.

\$359 billion

Total interest expense paid by the government on our outstanding debt in FY 2012, a 21% decrease from FY 2011.

0.774

Winning percentage of the Toronto Blue Jays during Spring Training 2012, best in the majors that spring. The Jays finished the season with a regular season record of 73-89, 22 games behind the Yankees in the AL East.



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