



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

To: Reporters and Editors  
Re: News release from the Big-Ticket Leasing Coalition  
Da: Friday, March 5, 2004

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment in reaction to a news release from the Big-Ticket Leasing Coalition on the benefits to cities from city infrastructure leasing tax shelters.

“Well-paid lobbyist Mr. Kies conveniently forgets that these abusive tax shelter leases will cost state treasuries \$6 billion. State and local governments are losing money on these deals -- there is no net gain for them. This is in addition to the \$33 billion the federal government will lose. He assumes that cities will not exercise their repurchase option, but we haven’t seen a city yet that’s ready to go without its sewer system.”

The Big-Ticket Leasing Coalition’s news release follows.

### Senate Finance Committee Analysis Confirms Study Showing Leasing Transactions Provide Substantial Benefits to Municipalities

Washington, DC – March 5, 2004 – Senate Finance Committee Chairman Charles Grassley (R-IA) and Senator Max Baucus (D-MT) have released findings showing that municipal leasing transactions provide cities and their agencies \$1 for every \$2 that the transactions cost in reduced federal tax revenues. These findings confirm the results of the study released by the Big-Ticket Leasing Coalition on March 2, 2004.

The Big-Ticket Leasing Coalition study found that municipalities receive benefits equal to 52.6 percent of the tax savings from a municipal leasing transaction in which the municipality chooses to exercise the option it has to purchase the leased property at the end of the lease term – this result is virtually identical to the Grassley-Baucus findings.

The Big-Ticket Leasing Coalition Study also showed that in the more likely case where the municipality chooses not to exercise its purchase option, the benefits to the municipal lessee on average are likely to exceed the revenue losses to the federal government. Specifically, the study

shows that the municipal lessee benefits in the 26 transactions range from 81.8 percent to 377.7 percent of the revenue losses – an average of 125.1 percent of the revenue loss.

According to Coalition leader Kenneth Kies, "the findings by Senators Grassley and Baucus confirm that leasing is an efficient way of providing for the capital needs of municipalities compared to tax-exempt bonds or other tax incentives. Indeed, it is as efficient, or more efficient, than tax-exempt bonds."

Grassley and Baucus also revealed that municipal leasing transactions are estimated, by the Congressional Joint Committee on Taxation, to provide municipalities with \$5.4 billion of benefits over the next ten years. According to Kies, "if the Administration's municipal leasing proposals are ultimately enacted, that is \$5.4 billion the nation's cities will simply not have."