

# Washington Update



## MOODY'S: STATE DEBT DROPS FOR THE FIRST TIME IN NEARLY THREE DECADES

For first time in 28 years, the 50 states' median net tax-supported debt (NTSD) declined in 2014, according to a new research report released last week by Moody's. Author of the report and Moody's Senior Vice President Kenneth Kurtz found that:

"The 2014 decline follows three years of minimal growth in NTSD as states continue to be reluctant to begin new debt service commitments in the face of tight operating budgets and a slow and uneven economic recovery... Uncertainty over federal fiscal policy and health care funding have also contributed to states' caution."

The state median for NTSD per capita fell to \$1,012 in 2014, for the third straight year. Thirty-three states saw a decline in this metric. The top five states in NTSD per capita are Connecticut, Massachusetts, Hawaii, New Jersey and New York.

The full press release can be found at [https://www.moody's.com/research/Moodys-Annual-state-debt-medians-experience-first-decline-in-nearly--PR\\_328745](https://www.moody's.com/research/Moodys-Annual-state-debt-medians-experience-first-decline-in-nearly--PR_328745).

## TREASURY, IRS SEEK INPUT ON TAX-EXEMPT BOND PRICING

The Internal Revenue Service and the Treasury Department are seeking comments on "Issue Price Definition for Tax-Exempt Bonds." In the Federal Register notice, the Treasury Department and the IRS are re-proposing an amended definition of issue price for tax-exempt bonds. The proposed regulations by IRS and Treasury retain the rule for tax-exempt bonds that the issue prices of bonds with different payment and credit terms are determined separately. Tax-exempt bond issues often include bonds with different payment and credit terms that generally sell at different prices. The notice also requests comments on other safeguards or alternative approaches to ensure that the prices obtained by underwriters in actual sales of bonds to the public between the sale date and the issue date are consistent with use of initial offering prices to the public as of the sale date as a simplifying assumption for issue price determinations in the alternative method.



Written or electronic comments must be received by September 22, 2015. Requests to speak and outlines of topics to be discussed at a public hearing must be received by September 22, 2015.

Send submissions to:

CC:PA:LPD:PR (REG-138526-14)  
Internal Revenue Service  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044

Comments may also be submitted electronically via the federal e-rulemaking portal at [www.regulations.gov](http://www.regulations.gov) (IRS REG-138526-14). The public hearing on this issue has been scheduled for October 28, 2015, at 10:00 a.m., at the IRS auditorium in Washington, DC.

The full Federal Register notice can be found at [www.gpo.gov/fdsys/pkg/FR-2015-06-24/pdf/2015-15411.pdf](http://www.gpo.gov/fdsys/pkg/FR-2015-06-24/pdf/2015-15411.pdf).

## SEC ISSUES RISK ALERT, ANNOUNCES INVESTIGATION INTO RETIREMENT ADVICE

The U.S. Securities and Exchange Commission has announced a risk alert to inform the public and investors that their National Exam Program (NEP) staff intend to focus on certain registered investment advisers and broker-dealers that provide services or sell investment products to retail investors. Examination focus areas will include: reasonable basis or recommendations; conflicts of interest; supervision and compliance controls; and marketing and disclosure.

Through the effort, called the Retirement-Targeted Industry Reviews and Examinations (ReTIRE) Initiative, the NEP staff will focus on higher-risk areas of registrants' sales, investment, and oversight processes, with particular emphasis on select areas where retail investors saving for retirement may be harmed. This is particularly notable, as retail investors that are looking for retirement savings often invest in municipal bonds at the recommendation of their investment advisors.

The full risk alert can be viewed at [www.sec.gov/about/offices/ocie/retirement-targeted-industry-reviews-and-examinations-initiative.pdf](http://www.sec.gov/about/offices/ocie/retirement-targeted-industry-reviews-and-examinations-initiative.pdf).

## CONGRESS ENTERS RECESS

The House and Senate enter recess this week for the July 4 holiday. They will return to work on July 6. The next *Washington Update* will be on Monday, July 13.

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