

**“The Future of the Gulf Coast: Using Tax Policy to Help Rebuild Businesses and Communities and Support Families After Disasters.”**

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Thank you for giving me the opportunity to speak to you today regarding Federal tax policies that may be utilized to expedite the process of getting citizens of south Mississippi back to work, their kids back to school, and the economic engine that drove my state’s economy back in gear.

The damage caused by Katrina’s path is unimaginable – not just in our coastal counties, but throughout our State. Our infrastructure has been deeply damaged, but our fortitude has only strengthened.

I spent this past Monday meeting with local officials in Harrison and Jackson counties – the latter of which happens to be Senator Lott’s home county. These places are being led by true leaders... some of the finest men and women America has to offer. They are not complaining, they are not deserting their constituents, they are simply working day and night to help rebuild their communities in what otherwise would be part time jobs. They are ordinary people doing extraordinary things!

I do not come before you today asking for a handout... Mississippi simply needs a helping hand. While I recognize that this hearing is regarding taxation policy, I would be remiss if I didn’t ask you to consider the great challenge individuals face with respect to housing. I would be remiss if I didn’t urge you to consider the consequences of those in the uninsured and underinsured categories. These people are our friends, our neighbors, our family... they are Americans in need of help from Congress.

I must remind you of the great need for state and local governments to receive direct fiscal aid to help them get through the weeks and months ahead. The State of Mississippi has created a loan program through the Mississippi Development Bank that will guarantee our local governments access to capital. However, in lieu of direct fiscal relief from the federal government, the ability to repay

those loans will be a major issue for many of our political subdivisions which have lost a large percentage of their tax base.

I believe that an allowance for a second advance refunding would be crucial for our state and local governments in the intermediate term. The cost to the U.S. Treasury of such an act would be miniscule in comparison to the benefits derived for our local communities. Generally, one would refinance their debt to achieve net present value savings. In this instance, our State and local governments should be allowed to restructure their debt, possibly delaying several years of principle and interest, until a reasonable time when their tax bases could be reestablished. In addition, I would encourage you to consider relaxing certain limitations on tax-exempt financing for working capital needs.

While I appreciate the financial commitment that has been, or will be, made by the President, the Congress, FEMA, and other federal agencies, I believe the private sector is the key to Mississippi's renaissance. For our gulf coast region to rebuild as the beautiful place it once was, we must work together to create an environment that encourages the private sector to invest in our communities. One way to accomplish this goal is through the allowance of \$15 billion in tax-exempt private activity bonds that should be classified as "bank eligible" with no limitations (total exemption from Code Section 265). I would encourage you to expand the types of eligible entities under the Liberty Bond legislation. I would also encourage Congress to consider a special allowance for accelerated depreciation up to 50% in the first year for capital investments made in the affected areas.

To fully understand this request, and the justification behind it, one must take a step back and consider the types of industry that are located on the Mississippi Gulf Coast. Oil refineries, shipbuilding companies, utilities, tourism attractions, and the defense and aerospace industry, just to name a few. While the jobs created by these employers are essential to my state's economy, their finished products are essential to keeping America safe. The one common theme within each of these industries is the extent to which they depend on capital investment. We must create incentives to encourage these capital intensive industries to rebuild.

Many of the items I have outlined today have a precedent in Congress. Some do not. An unprecedented disaster requires an unprecedented response.

My governor, my United State Senators, the local elected officials, and most importantly, the citizens of my state have made me proud to be a Mississippian. We have shown resilience in the face of the worst natural disaster in our nation's history. We will rebuild our State one day at a time – no matter how long it takes.

With your help, we will rebuild in a manner that will make all of you proud of what we accomplish together.