Pursuant to clauses 1 and 3 of section 8 of article I of the Constitution of the United States, the Congress has the authority to levy taxes. This authority includes the ability to establish conditions upon which special tax benefits are granted.

The Public Employee Pension Transparency Act is a tax bill. The legislation conditions the continuation of special tax treatment now afforded by the federal government to certain bonds issued by state and local governments on compliance with certain reporting requirements related to public employee pensions.

No state or local government will be compelled to comply with the provisions of this legislation. Those unwilling to do so will simply forego the special tax benefits they receive for their bonds. Meanwhile, national taxpayers will not be forced to subsidize the debt of state or local governments that refuse to open the books on their true public employee pension liabilities.

The Public Employee Pension Transparency Act does not alter the rights of state and local governments to determine the nature of benefits afforded to their public employees. The legislation does not impose funding standards or any other regulation on these benefits or their sponsors, other than those associated with transparency.

The Public Employee Pension Transparency Act reaffirms state and local sovereignty over their public pensions in Section 4(b):

“Nothing in this Act (or any amendment made by this Act) shall be construed to alter existing funding standards for State or local government employee pension plans or to require Federal funding standards for such plans.”

Rep. Devin Nunes (R-CA)
Public Employee Pension Transparency Act
114th Congress