

WHEREAS, such taxation and potential future taxation would violate the principle of inter-governmental immunity which is the keystone of our Federal system of government and the relationship between the several States and the central government, with the inevitable result in the long run of weakening the ability of local government to perform the essential services required of it for the welfare of its citizens; and

WHEREAS, the weakening of local government increases the tendency to centralization and a strong central government to an unhealthy degree; and

WHEREAS, the taxation of State and municipal bonds would greatly increase the cost of financing public works by the raising of interest rates and, to this extent, would hamper the performance of the functions of local government; and

WHEREAS, the effect of the raising of interest rates in these times, when the decreased purchasing power of the dollar makes the cost of public construction many times what it has been in the recent past, would multiply the evil effects; and

WHEREAS, the taxation of the income from future interest of government bonds would, for many years, result in a negligible increase in the income of the Federal government, the estimate is that the yearly issue of such bonds is approximately One Billion Dollars, with an average interest rate of less than three per cent. (3%), and the income from said bonds would be about Thirty Million Dollars a year, of which scarcely more than Ten Million Dollars would flow in taxable income to the Federal government by reason of the holding of many of such issues by tax-exempt institutions and funds; and

WHEREAS, this practical increase in Federal revenues is so negligible, and the potential evil of the taxation of State and local bonds is so great and so pernicious; now, therefore, be it

*Resolved by the General Assembly of Maryland,* That the State of Maryland is emphatically opposed to the Federal taxation of State and local bonds, and requests the Congress to defeat the proposal of the Treasury Department for the taxation of such bonds; and be it further

*Resolved,* That the Senators and the Members of the House of Representatives are hereby requested to give active opposition to all pending and proposed measures which would subject State and municipal bonds to Federal taxation; and be it further