

How Voting on Bond Measures Impacts Your Personal Finances

January 30, 2008 - With "Super Tuesday" fast approaching (Feb. 5th), millions of Americans are getting ready to go to the polls. Not only will we be voting to nominate presidential candidates, in many state and local elections we will also be voting on bond issues. While politicians love to tell us that bonds don't increase taxes, they leave out any information about how they affect us personally. They may not be called taxes, but their effect is just the same. Here is some information for you to keep in mind when you go to the polls.

Simply put, bonds are just another term for borrowed money. When the government or companies sell bonds, they are actually borrowing money from the people that buy the bonds. That money has to be repaid with interest.

When your local government sells bonds, property owners in the area are the ones that have to pay for them. This is usually in the form of a "special assessment" that is attached to their property tax bills. So, while they may not be called taxes, their effect is similar.

How does this impact you? Well, if you are a homeowner it increases the amount of money that you have to pay the government every time to pay your property taxes. And if you are thinking about purchasing a home, then costs associated with bonds can mean that you won't be able to purchase as large a house as you otherwise would have, or that you may have to live in a less desirable area. In some cases, the costs associated with bonds could mean that you simply won't be able to afford a house at all.

But what if you are a renter? Well, it means that it is very likely to lead to an increase in your monthly rental charges. Even if you are in a rent controlled area, most rent control laws allow landlords to pass increases in operating costs on to their tenants. The costs associated with bonds are among these costs.

Bond costs can also lead to increases in the costs of goods and services in your area. Just as the owners of residential properties are hit with additional costs from bonds, so too are business owners. These costs are normally passed onto consumers in the form of higher prices on everything from groceries to dry cleaning.

The nation's economy has slowed down considerably over the past several months. This has led to reductions in tax revenues to all levels of government. The temptation for politicians to pedal bond issues as an alternative to tax increases is growing. But in a time of household belt tightening, it is imperative for government to control its spending too.

As consumers, it is important for us to realize what a "yes" vote for any bond issue means. This is not to say that all bond issues are frivolous. But everyone needs to ask the question, "Is this really necessary?" when they walk into the ballot box because the cost of any bond issue is passed on to the entire economy.

by Jim Malmberg

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