April 2, 2014

The Honorable Dave Camp
Chairman, House Ways & Means Committee
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Camp,

We are writing on behalf of the Municipal Bonds for America coalition, which unites local elected officials and municipal bond professionals, to express our opposition to the provisions targeting municipal bonds and private activity bonds that are contained in your recently released tax reform discussion draft. These proposals cut investment in public infrastructure that citizens depend upon every day, from transportation to education to housing, and raise infrastructure borrowing costs for state and local governments. And, unlike other provisions in the discussion draft, these provisions do not impose taxes simply on individuals and corporations. They undermine an important public purpose – the funding of much-needed American infrastructure.

The discussion draft contains a cluster of provisions that would undermine the efforts of America's state and local governments to move their communities forward. Chief among these is a new 10% tax on municipal bond interest for some taxpayers, which will substantially reduce the demand for municipal bonds, resulting in state and local governments paying higher rates to fund infrastructure projects. Equally devastating are provisions that eliminate tax-exempt private activity bonds that finance schools, hospitals, affordable housing, airports, student loans and other critical services and infrastructure. These and other provisions targeted at municipal bonds are likely to raise state and local borrowing costs by 20% or more. The effects would be tangible and dramatic as many governments would forestall or cancel the construction of facilities critical for everyday life.

You have correctly argued that investment in infrastructure is critical to America's future. For example, your discussion draft seeks to benefit infrastructure that would be funded through the Highway Trust Fund. But the discussion draft has a decidedly negative impact on other critical forms of infrastructure: schools, hospitals, utilities, sewage plants, and other important facilities, that are supported by a $3.7 trillion municipal bond market. The discussion draft offers no substitute for this permanent and retroactive tax on – or outright elimination of – municipal bond financing for infrastructure, and amounts to a federally-imposed, local tax. It is right to argue that investment in infrastructure is critical. It is misguided to then propose policies that create a large infrastructure shortfall that has no realistic chance of being replaced.

For over 100 years, municipal bonds have been an efficient, market-oriented way to finance infrastructure projects at the local level to keep America connected and competitive. Roughly 75% of today's infrastructure was financed with the help of municipal bonds. Over time, municipal bonds have built four million miles of road, 500,000 bridges, 16,000 airports and 900,000 miles of pipe in water systems. It is no exaggeration to say that municipal bonds are the lifeblood of America's infrastructure efforts. The proposals outlined in the discussion draft would severely undercut this critical financial tool, hurting communities throughout this nation.

We urge you to reconsider these provisions and retain a system of tax-exempt financing that has worked well for America throughout its history, and through 100 years of tax code precedent. We look forward to working with you on this important issue. Feel free to contact John Murphy at 202-367-1257 or jmurphy@nalhfa.org with questions and visit www.munibondsforamerica.org for more information and a complete list of 30 supporting organizations across the county. We appreciate your consideration.

Sincerely,

Executive Committee of the Municipal Bonds for America Coalition:

Steve Benjamin, MBFA Chairman
Mayor, City of Columbia, South Carolina

John Murphy
Executive Director
National Association of Local Housing Finance Agencies

Harry Black
Director of Finance
City of Baltimore, MD

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Michael Wallace
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