Congress of the United States
Washington, DC 20515
May 28, 2013

Preserve the Tax-Exempt Status of Municipal Bonds

Dear Colleague:

Our communities are in trouble. Their primary means of funding new roads, schools, hospitals and police stations – as well as the hundreds of thousands of jobs these infrastructure projects create – are in jeopardy.

For more than a hundred years, the projects that keep our communities strong and vibrant have largely been financed through municipal bonds that enjoy tax-exempt status. These bonds have funded more than $1.9 trillion in infrastructure construction in the last decade alone, mostly financing the construction and refurbishment of schools, hospitals, airports, water and sewer lines, public utilities, roads, and other transit projects. These projects aren't optional for the communities they serve, and neither is our obligation to protect the tax-free status of the bonds used to build them.

Unfortunately, that's just what some have in mind. The President's Fiscal Year 2014 Budget Proposal currently recommends capping the tax-exemption of municipal bonds at 28 percent. The Simpson-Bowles report and a GAO study recommend eliminating the tax exempt status altogether.

Neither capping nor eliminating the deduction on municipal bonds is a smart solution to our country's economic and fiscal challenges. Several members of the Ways and Means Committee who have served in local elected office – and understand the importance of these bonds as financing tools – recently testified that these misguided proposals would unfairly shift construction costs to local residents through tax increases.

If you have questions, or would like to co-sign a letter to Congressional Leadership urging them to support the tax-exempt status of municipal bonds, please have your staff contact Walter Gonzales (Ruppersberger) at 5-3061 or at walter.gonzales@mail.house.gov or Scott Luginbill (Hultgren) at 5-2976 or at Scott.Luginbill@mail.house.gov

Sincerely,

C.A. Dutch Ruppersberger
C.A. Dutch Ruppersberger
Member of Congress

Randy Hultgren
Member of Congress

Congress of the United States
Washington, DC 20515

DRAFT-DRAFT-DRAFT-DRAFT

John Boehner
Speaker of the House
The Capitol
Washington DC 20515

Nancy Pelosi
Democratic Leader
The Capitol
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

We are writing to express serious concerns regarding proposals to eliminate or cap the deduction on tax-exempt municipal bonds in the Fiscal Year 2014 Budget Proposal.

For more than a century, municipal bonds have enjoyed tax-exempt status and have been the primary method by which state governments and local municipalities finance public capital improvements and infrastructure construction. These projects are engines of job creation and economic growth, and it is imperative that their tax-exempt status remain unchanged.

Over the last decade, municipal bonds have funded more than $1.9 trillion worth of infrastructure construction. This financing went to the construction of schools, hospitals, airports, affordable housing, water and sewer facilities, public power utilities, roads, and public transit. In 2012 alone, more than 6,600 tax-exempt bonds financed more than $179 billion in infrastructure spending.

As you have stated before, now is the time to invest in America. Yet, The President's Fiscal Year 2014 Budget Proposal recently submitted to Congress proposed capping the tax deduction for municipal bonds at 28 percent. Eliminating or capping the current deduction on municipal bonds would severely curtail state and local governments' ability to invest in themselves. It would increase borrowing costs to public entities and shift costs to local residents through tax or rate increases.

Moreover, eliminating or capping the current deduction on municipal bonds would slow the growth of job-creating infrastructure projects. In these tenuous economic times, it would be irresponsible to jeopardize funding for the dedicated citizens who work in these important facilities such as teachers, firefighters, police officers, hospital workers and librarians as well as the construction workers who build them.

As the discussion on various budget proposals continues and the national discussion on comprehensive tax reform begins, it is our hope that you will reject proposals to alter the tax-exempt status of municipal bonds. While we agree that we must reduce government spending and our country's unsustainable debt, we should not be eliminating a vital tool for job growth and economic development. Thank you for your time and attention to this important national matter