Preserve the Tax-Exempt Status of Municipal Bonds

Preserve the Tax-Exempt Status of Municipal Bonds

DEADLINE FOR COSPONSORS IS THURSDAY, MARCH 5

Dear Colleague:

We are inviting you to join a letter to House Speaker Boehner and Minority Leader Nancy Pelosi, urging them to support the tax-exempt status of municipal bonds.

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 100 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 providing new 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 from attack.

Unfortunately, that’s just what some people have in mind. The President’s Fiscal Year 2016 Budget Proposal currently recommends capping the tax-exemption of municipal bonds at 28 percent.

Neither capping nor eliminating the deduction on municipal bonds is a smart solution to our country’s current economic 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. Or simply leave our police officers, firefighters, hospital workers, librarians, teachers and schoolchildren with aging, deteriorating and often dangerous facilities to work and learn in.

We encourage you to support the tax-exempt status of municipal bonds and join this letter. If you have questions, or to co-sign, have your staff contact Walter Gonzales (Ruppersberger) at 5-3061 or at walter.gonzales@mail.house.gov or you can contact Ammon Simon (Hultgren) at 5-2976 or at Ammon.Simon@mail.house.gov

Sincerely,
C.A. Dutch Ruppersberger
Member of Congress

Randy Hultgren
Member of Congress

Letter—Letter—Letter

February __, 2015

John Boehner
Speaker of the House
H-232, U.S. Capitol Building
Washington, DC 20515

Nancy Pelosi
Democratic Leader
H-204, U.S. Capitol Building
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 President’s Fiscal Year 2016 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 2013 alone, more than 11,000 tax-exempt bonds financed more than $330 billion in infrastructure spending.

As you have stated before, now is the time to invest in America. Yet, the President's Fiscal Year 2016 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.