December 20, 2012

President Barack Obama
The White House
Washington, D.C.  20500

Speaker John Boehner
U.S. House of Representatives
Washington, D.C.  20515

Dear President Obama and Speaker Boehner:

Our organizations, representing states and local elected and appointed officials, urge you to retain the current federal government income tax exclusion for municipal bond interest during year-end negotiations to avert the “fiscal cliff.”

For 200 years, municipal bonds have assisted states, cities, and counties in financing their infrastructure needs, including roads, bridges, schools, hospitals, transit systems, housing, public power and gas systems and utilities, and other vital projects serving the public good. Given the tremendous overhang of unmet needs throughout the country, policymakers should encourage, not limit, financing for critical infrastructure projects, which will also create much-needed jobs.

Taxing municipal bonds would immediately increase borrowing costs for state and local governments by as much as two percentage points, which translates into a 25 percent increase in infrastructure costs over time. This would cause a significant decrease in infrastructure spending by states and municipalities, further slow the economic and jobs recovery nationally, and cost taxpayers and ratepayers billions of dollars in higher interest costs each year. Even the possibility of altering the tax treatment on outstanding
municipal bonds – essentially a retroactive tax – creates uncertainty and would have adverse effects on governments needing to access capital markets.

This uncertainty would have a chilling effect on infrastructure investments and jobs because the approximately $40 billion annual cost from the municipal bond interest exclusion leverages $400 billion in new infrastructure projects annually.

Making abrupt, fundamental changes to the current tax treatment of municipal bonds as part of year-end considerations would have far-reaching adverse and unintended consequences affecting jobs and infrastructure.

As part of the coming debate over comprehensive tax reform in 2013, our organizations stand ready to work with Congress and the Administration to discuss the treatment of infrastructure financing.

Sincerely,

Dan Crippen, Executive Director
National Governors Association

Robert O’Neill, Executive Director
International City/County Management Association

Matthew D. Chase, Executive Director
National Association of Counties

Donald J. Borut, Executive Director
National League of Cities

Tom Cochran, CEO and Executive Director
U.S. Conference of Mayors
Jeffrey L. Esser, Executive Director/CEO  
Government Finance Officers Association

Robert (Kinney) M. Poynter, Executive Director  
National Association of State Auditors, Comptrollers and Treasurers

Kate Marshall, President  
National Association of State Treasurers  
Nevada State Treasurer

Rick Pollack, Executive Vice President  
American Hospital Association

Bert Kalisch, President and CEO  
American Public Gas Association

Mark Crisson, President & CEO  
American Public Power Association
Peter B. King, Executive Director
American Public Works Association

Rick Farrell, Executive Director
Council of Infrastructure Financing Authorities

Vince Sampson, President
Education Finance Council

Chuck Thompson, Executive Director
International Municipal Lawyers Association

Missy Mandell, Executive Director
Large Public Power Council

Ken Kirk, Executive Director
National Association of Clean Water Agencies
Pamela Lenane, President
National Association of Health and Education Facilities Finance Authorities

John Murphy, Executive Director
National Association of Local Housing Finance Agencies

Barbara Thompson, Executive Director
National Council of State Housing Agencies

Thomas J. Gentzel, Executive Director
National School Boards Association