

**National Conference of State Legislatures  
International City/County Management Association  
National Association of Counties  
National League of Cities  
U.S. Conference of Mayors  
Government Finance Officers Association  
National Association of State Auditors, Comptrollers and Treasurers  
National Association of State Treasurers  
American Public Power Association  
Council of Development Finance Agencies  
Council of Infrastructure Financing Authorities  
International Municipal Lawyers Association  
Large Public Power Association  
National Association of Health and Higher Education Facilities Authorities  
National Association of Local Housing Finance Agencies  
National Council of State Housing Agencies  
National School Boards Association  
Bond Dealers of America  
Investment Company Institute  
National Association of Bond Lawyers  
National Association of Independent Public Finance Advisors  
Securities Industry and Financial Markets Association**

September 6, 2011

The Honorable  
XX  
XX  
Washington, DC

Dear XX:

The state and local government associations and other organizations representing participants involved in municipal finance listed above urge Congress' continuing support and commitment to federal tax-exempt bond financing and the critical role it plays in addressing national priorities.

Maintaining the tax-exemption on municipal bonds is essential to help our national economy grow, create jobs, and best serve the constituencies of each community. Tax-exempt bonds are the primary mechanism for funding the nation's public infrastructure. Three-quarters of the total United States investment in infrastructure is accomplished with tax-exempt bonds that are issued by over 50,000 state and local governments and authorities. Our citizens, communities and public, private and non-profit sectors benefit in many ways from tax-exempt bonds. For example, they are used to build and maintain schools which help develop an educated workforce. They are used to build our roads and airports, all of which are essential for supporting commerce. They help to address the country's water infrastructure, electric utility and affordable housing needs. Tax-exempt bonds also provide public safety infrastructure that ensures local and national security.

Governmental bonds have been issued since the mid-1800s, and the federal tax exemption was included in the country's first federal tax code. Through the tax-exemption, the federal government continues to provide critical support for the development and maintenance of essential facilities and services, which it cannot practically replicate by other means. Without the tax-exemption, state and local governments would pay more to raise capital, a cost that ultimately would be borne by taxpayers.

Additionally, the federal government should continue to honor reciprocal immunity, a basic tenet of American federalism. States do not tax the interest on U.S. Treasury securities, and the federal government should not tax interest on securities issued by states and local governments.

By accessing the tax-exempt bond market, states, municipalities and authorities of all sizes can directly meet the priorities set by their elected officials, and in many cases, determined by referenda from residents in those communities. Responsible decision-making at the level closest to the constituents is the essence of federalism, and we urge Congress to preserve this important financing tool.

We look forward to further discussing these issues with you and your staff.

Sincerely,

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