

March 19, 2013

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
United States Senate  
Washington, D.C. 20510

Dear Majority Leader Reid and Minority Leader McConnell:

**As the Senate prepares to consider the fiscal year 2014 Concurrent Budget Resolution, we are writing to raise a serious concern regarding the future treatment of tax-exempt municipal bonds as part of any upcoming tax reform efforts.** The current Senate Budget Resolution suggests the possibility of a cap being placed on tax expenditures – which could include the exemption for interest earned on municipal bonds.

Tax-exempt municipal bonds were included in the United States tax code in 1913. They remain the primary method used by states and local governments to finance public capital improvements and public infrastructure projects that are essential to creating jobs, sustaining economic growth and improving the quality of life for Americans in every corner of this country.

Tax-exempt municipal bonds are the main financing tool used to meet public infrastructure needs – including highways, bridges, local streets, public transit, airports, water and sewer, general acute-care hospitals, primary and secondary schools, and county jails.

Please consider the following:

- **Muni bonds are currently funding over \$3.7 trillion worth of essential infrastructure.** Ninety (90) percent of infrastructure muni-bonds financing went to schools, hospitals, water and sewer facilities, public power utilities, roads and public transit over the last 10 years
- In 2012 alone, more than 6,600 tax-exempt municipal bonds financed more than \$179 billion worth of infrastructure projects

Eliminating the deduction or including it as part of any cap on deductions would increase the borrowing costs that public entities will have to pay for infrastructure improvements. The effect will be increased costs to the public for infrastructure and therefore less funding for teachers, fire and police officers, hospital workers, librarians, and construction and maintenance workers. Any change to the tax-exempt status of municipal bonds will ultimately result in less overall infrastructure spending, fewer jobs and dampened economic activity.

The Federal government plays a critical role in the financing of public infrastructure projects through municipal bonds – an appropriate role given the public benefits that result from these projects. **Therefore, as you consider the fiscal year 2014 Concurrent Budget Resolution, we urge you to make clear that any comprehensive tax reform does not eliminate or cap the current tax-exempt deduction of municipal bond interest.**

Airports Council International – North America  
American Association of Airport Executives  
American Association of State Highway and Transportation Officials  
American Concrete Pavement Association  
American Concrete Pressure Pipe Association  
American Council of Engineering Companies

American Federation of State County and Municipal Employees  
American Federation of Teachers  
American Public Power Association  
American Public Transportation Association  
American Public Works Association  
American Road and Transportation Builders Association  
American Society of Civil Engineers  
American Sport Fishing Association  
American Traffic Safety Services Association  
Associated Equipment Distributors  
Association of Equipment Manufacturers  
Association of Metropolitan Planning Organizations  
Chesapeake Bay Foundation  
Construction Management Association of America  
Council of Infrastructure Financing Authorities  
Distribution Contractors Association  
Food and Water Watch  
Government Finance Officers Association  
International City/County Management Association  
International Economic Development Council  
International Public Management Association of Human Resources  
International Union of Operating Engineers  
Laborers' International Union of North America  
National Asphalt Pavement Association  
National Association for County Community and Economic Development  
National Association of Clean Water Agencies  
National Association of Counties  
National Association of County and City Health Officials  
National Association of County Behavioral Health And Developmental Disability Directors  
National Association of County Collectors, Treasurers and Finance Officers  
National Association of County Engineers  
National Association of Development Organizations  
National Association of Federally Impacted Schools  
National Association of Health and Educational Facilities Finance Authorities  
National Association of Local Housing Finance Agencies  
National Association of Regional Councils  
National Association of State Auditors, Comptrollers and Treasurers  
National Association of State Treasurers  
National Association of Towns and Townships  
National Community Development Association  
National Council of State Housing Agencies  
National Latino Farmers and Ranchers Trade Association  
National League of Cities  
National School Boards Association  
National Urban League  
National Utility Contractors Association  
National Waterways Conference, Inc.  
Portland Cement Association  
The Associated General Contractors of America  
The Council of State Governments  
The National Grange  
U.S. Conference of Mayors  
Water Environment Federation