AMERICAN
PUBLIC
TRANSPORTATION
ASSOCIATION

November 3, 2017

To the Members of the House Committee on Ways and Means:

On behalf of the American Public Transportation Association (APTA) and its more than 1,500 member organizations, we write to convey our significant concerns with H.R. 1, the Tax Cuts and Jobs Act. Although we certainly appreciate the momentous challenge you face in reforming the tax code and are grateful for the Committee's commitment to maintaining the tax-exempt status of municipal bonds, which is a vital financing tool for state and local government-sponsored public works projects, the bill fails to address several of APTA's key priorities.

We are disappointed that the legislation would eliminate or significantly alter important provisions of the tax code that serve the national interest and provide substantial tax benefits to all Americans. As the legislative process continues, we respectfully urge the committee to address the following issues:

<u>Highway Trust Fund</u>

Despite a letter sent on June 12, 2017, to this committee by a bipartisan group of more than 250 Members of the House of Representatives urging you to address the long-term solvency of the Highway Trust Fund as a part of comprehensive tax reform, this legislation fails to heed that call. This represents a missed opportunity to do something meaningful and immediate, with strong congressional support, to address our long-term transportation infrastructure challenges. A predictable, long-term federal commitment to surface transportation investment is essential to the nation's economic growth and international competitiveness. This tax bill represents the best and most realistic opportunity to accomplish this goal.

<u>Commuter Tax Benefit</u>

Current law treats the cost of commuting to work on public transportation as a tax-free fringe benefit that can be provided by an employer or utilized as a pretax payroll deduction. Supporting an employee's commute to work provides substantial savings to both the employer and the employee. In many regions of the country, transportation costs are the second highest household expense.

We appreciate that this legislation clearly recognizes the value of the commuter tax benefit by retaining certain key elements, such as the pretax payroll deduction option. However, we are concerned that aligning the treatment of commute

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benefits with expenses that are personal in nature devalues the critical role commute benefits play in millions of American workers' ability to access jobs. Removing the option for employers to deduct the cost of those benefits, could be a disincentive for employers to offer this critical benefit that helps defray costs for working families. Furthermore, we urge you to reconsider creating new tax liabilities for tax-exempt entities offering these benefits.

Alternative Fuels Benefits

Unfortunately, this legislation does not extend the alternative fuels and related infrastructure tax credits that expired on December 31, 2016. A permanent extension would support the long-term energy security of our nation and provide certainty for small, medium, and large-sized transit agencies across the country. In particular, our transit agencies benefit from the $0.50 per gasoline gallon equivalent (GGE) tax credit offered to transit agencies fueling their vehicles with compressed (CNG) or liquefied (LNG) natural gas. Failure to renew these credits will discourage future investment in CNG and LNG fleets and associated infrastructure. APTA also supports the inclusion of electric and hybrid electric vehicles within eligible uses, and urges the Committee to reconsider extending and expanding these important tax credits.

Private Activity Bonds (PABs)

APTA is also disappointed that this legislation would repeal the use of Private Activity Bonds (PABs), which are an important infrastructure financing mechanism. Low-interest PABs have been widely used in a variety of infrastructure projects to save significant taxpayer dollars by reducing the amount of direct federal spending necessary to undertake large-scale public works projects. This provision is particularly surprising as Congress and the Administration develop a new infrastructure initiative focused on attracting private-sector investment and encouraging public-private partnerships. Preemptively removing PABs as a financing tool for infrastructure projects would undermine Congress' stated goal of leveraging a $1 trillion investment in our nation's infrastructure. Instead, this provision would have a chilling effect on private sector investments in infrastructure projects.

In conclusion, we urge Congress to use this once-in-a-generation opportunity to reform the tax code to encourage greater investment in our nation's infrastructure, not discourage it. Addressing the state of good repair backlog for surface transportation infrastructure, which is currently $90 billion and growing for public transportation alone, will require dramatic and bold action to dedicate new revenues to the Highway Trust Fund. As introduced, H.R. 1 does not address this fundamental and critical issue for our industry or our country. We look forward to working with Congress on this and other issues as you continue to develop this most significant piece of legislation.

Sincerely,

Richard A. White
Acting President & CEO