The Honorable Mitch McConnell
317 Russell Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Orrin Hatch
104 Hart Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Paul Ryan
1233 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
1011 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

November XX, 2017

Dear Leader McConnell, Speaker Ryan, Chairman Hatch, and Chairman Brady,

We the undersigned strongly object to the proposed elimination of tax exempt private activity bonds and advanced refunding bonds in the current Tax Cuts and Jobs Act (HR 1). This change in policy contradicts the growing need of the Federal Government to rely more, not less, on states and municipalities, as well as the private sector, to help to finance needed infrastructure in a market driven, cost effective manner. In fact, these changes are incompatible with President Trump's priority for infrastructure investment in the United States. Finally, taken together, both of these changes violate a request made by 162 members of the House of Representatives in a March 9, 2017 letter addressed to the leadership of the House Committee on Ways and Means.

There seems to be a consensus that the current-law tax exemption for municipal bonds – now more than a century old – should remain intact; however, the Tax Cuts and Jobs Act would otherwise hobble this valuable tool by prohibiting the issuance of tax-exempt private activity bonds and tax-exempt advance refunding bonds. The United States currently faces a $2 trillion dollar infrastructure financing short-fall, according to the American Society of Civil Engineers.[1]

The Tax Cuts and Jobs Act is incompatible with President Trump's request for infrastructure investment in the United States. The Fiscal Year 2018 Budget calls for $200 billion in outlays related to the President's infrastructure initiative. The Fact Sheet for the President's Infrastructure Initiative states, "The Federal Government inefficiently invests in non-Federal infrastructure," and "The Administration will be exploring … whether transferring additional responsibilities to the States is appropriate." At his confirmation hearing, Treasury Secretary Mnuchin said in response to a question about infrastructure financing, "If confirmed, I plan to review ways to enhance [PABs] with the goal of driving more private investment into American infrastructure." We agree. Federalism is fundamental to efficient infrastructure finance.

[1] https://www.infrastructurereportcard.org/solutions/investment/

Private activity bonds finance exactly the sorts of public private partnerships of which we need more of, not less. These bonds help finance housing for low- to moderate-income families that otherwise would not get built; toll roads and expressways, airports and seaports; hospitals and universities. The Administration has made it explicitly clear that is supports the *expansion* of private activity bond eligibility.

Likewise, state and local governments issue tax-exempt advance refunding bonds to take advantage of market conditions to reduce the cost of financing existing debt. Advance refunding bonds issued in just the last five years will save state and local taxpayers in every state billions of dollars. This infrastructure investment creates jobs for homebuilders, factory workers, and engineers, and contributes to economic growth nationwide. The current tax-exempt status of private activity bonds and advanced refunding bonds benefits all Americans.

We strongly object to the proposed elimination of tax-exempt private activity and advance refunding bonds in any final tax reform package, which we believe undermines President Trump's infrastructure and economic development agenda for the middle-class. We urge you to reconsider these provisions and ensure they are not in the final version of The Tax Cuts and Jobs Act.

Sincerely,