**Government Finance Officers Association**
**Airports Council International – North America**
**American Public Gas Association**
**American Public Power Association**
**American Public Works Association**
**American Society of Civil Engineers**
**American Water Works Association**
**Association of Metropolitan Water Agencies**
**Association of Public and Land-grant Universities**
**Association of School Business Officials International**
**Council of Infrastructure Financing Authorities**
**Council of State Governments**
**International City/County Management Association**
**Large Public Power Council**
**National Association of Clean Water Agencies**
**National Association of College and University Business Officers**
**National Association of Counties**
**National Association of Health and Educational Facilities Finance Authorities**
**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 League of Cities**
**National School Boards Association**
**National Special Districts Coalition**
**The United States Conference of Mayors**
**Water Environment Federation**

November 1, 2021

The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
H-222 The Capitol
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader, U.S. Senate
S-221 Capitol Building
Washington, D.C. 20510

The Honorable Richard Neal
Chairman, Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Ron Wyden
Chairman, Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Speaker Pelosi, Leader Schumer, and Chairmen Neal and Wyden:

On behalf of the undersigned municipal issuer representative groups, we write to support legislation to increase the flexibility -- and reduce the cost -- of financing the critical infrastructure investments with tax-exempt municipal bonds and to oppose the inclusion of interest on tax-exempt bonds in a proposed new federal corporate alternative minimum tax.

Tax-exempt bonds are the primary mechanism through which state and local governments raise capital to finance a wide range of essential public projects. This includes not only local roads, highways, and bridges, but also – among other things – airports, public transportation, affordable housing, water and wastewater, schools, libraries, town halls, nonprofit hospitals and universities, police and fire stations, and electric power and gas facilities. These are the investments that make our communities livable and commerce possible.

Above all else, our groups are committed to minimizing the cost of financing these projects – costs that must be paid by our communities – by preserving the tax exemption on municipal bonds. As a result, we were alarmed to see that section 138101, Corporate Alternative Minimum Tax (AMT), of the Rules Committee Print of the Build Back Better Act would impose a 15 percent minimum tax on tax-exempt bond interest for purchasers that currently hold about one quarter (or just under $1 trillion) of outstanding tax-exempt municipal bonds. Ultimately, this tax will not be borne by corporations, but by our communities, in the form of higher interest demanded by bondholders. Our organizations are currently analyzing the effect of this provision, but we know that the Congressional Research Service estimates that subjecting private activity bonds to the individual AMT has raised the interest cost of those bonds by 50 basis points. Again, we do not know whether the effect would be identical, but can safely conclude that subjecting an even broader array of state and local government and non-profit bonds to this new tax will raise community borrowing costs. Considering the size of the municipal bond market – with over $4 trillion in debt outstanding – the costs will be significant and, again, will be borne by our communities, not by the holders of the bonds.

At the same time, provisions that would improve municipal finance by increasing flexibility and decreasing costs were excluded from the Rules Committee Print despite being approved by the House Committee on Ways and Means earlier this year. These include provisions to reinstate the ability to issue tax-exempt advance refunding bonds, to increase the small issuer exception from $10 million to $30 million, and to restore and expand the use of direct-pay bonds. It is inconceivable that neither of the two infrastructure bills currently being considered by Congress include provisions to improve infrastructure financing.

Tax-exempt issuers will be your trusted partner in carrying out the policies proposed in Build Back Better, but these added costs will severely impact our ability to do so.

As a result, we strongly urge the House and Senate to amend section 138101 of the Rules Committee print to exclude tax-exempt bond interest from the proposed Corporate AMT. Specifically, for purposes of calculating the AMT, adjusted financial statement income should be decreased by interest that is excluded from gross income under Internal Revenue Code Section 103. We would also strongly urge the House and Senate to include the elements of our bond modernization agenda, including reinstating the ability to issue tax-exempt advance refunding bonds, increasing the small issuer exception from $10 million to $30 million, and restoring and expanding the use of direct-pay bonds.

Finally, we would like to reiterate that as a collective group, and through our individual organizations, we are here to serve as resources for you and your team. If you should need issue area expertise on specific sectors of our markets, we have included the contact information for the policy directors of the signing organizations. We look forward to hearing from and working with you.

Sincerely,

Government Finance Officers Association, Emily Swenson Brock, 202-393-8467
Airports Council International – North America, Amanda La Joie, 202-861-8094
American Public Gas Association, Emily Wong, 202-470-4262
American Public Power Association, John Godfrey, 202-467-2929
American Public Works Association, Andrea Eales, 202-218-6730
American Society of Civil Engineers, Caroline Sevier, 202-789-7855
American Water Works Association, Tommy Holmes, 202-306-9530
Association of Metropolitan Water Agencies, Dan Hartnett, 202-331-2820
Association of Public and Land-grant Universities, Lindsey Tepe, 202-478-6079
Association of School Business Officials International, Elleka Yost, 866-682-2729
Council of Infrastructure Financing Authorities, Deirdre Finn, 850-445-9619
Council of State Governments, Andy Karellas, 202-624-5460
International City/County Management Association, Elizabeth Kellar, 202-962-3611
Large Public Power Council, John Di Stasio, 512-707-1010
National Association of Clean Water Agencies, Kristina Surfus, 202-833-4655
National Association of College and University Business Officers, Liz Clark, 202-861-2553
National Association of Counties, Eryn Hurley, 202-942-4204
National Assoc. of Health and Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311
National Association of Regional Councils, Leslie Wollack, 202-618-6363
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451
National Association of State Treasurers, Shaun Snyder, 202-744-6663
National Association of Towns and Townships, Jennifer Imo, 202-454-3947
National Community Development Association, Vicki Watson, 540-656-9552
National Council of State Housing Agencies, Garth Rieman, 202-624-7710
National League of Cities, Michael Gleeson, 202-626-3091
National School Boards Association, Deborah Rigsby, 202-550-4823
National Special Districts Coalition, Cole Karr, 417-861-7418
The United States Conference of Mayors, Larry Jones, 202-861-6709
Water Environment Federation, Steve Dye, 703-684-2400

CC: Members of the United States House of Representatives
Members of the United States Senate