Bond Dealers of America

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VIA ELECTRONIC & U.S. MAIL

The Honorable Paul Ryan
Speaker of the House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Kevin Brady
Chairman, House Ways & Means Committee
1106 Longworth House Office Building
Washington, DC 20515

Dear Speaker Ryan and Chairman Brady:

The Bond Dealers of America (BDA) applauds the thoughtful process that the House Republican Conference has engaged in to create a simpler, economically stimulative tax code. As the Conference continues to assess reforms to the tax code, we write to reaffirm our support for maintaining the tax-exemption for municipal bonds. BDA is the only Washington, DC-based association representing the interests of middle-market securities dealers and banks focused on the United States fixed income markets. Municipal bonds are the most cost-effective financing method state and local governments use to access the capital markets to finance critical infrastructure projects. BDA member firms are a critical component in bringing municipal bond financed transactions to market.

The recent release of the House of Representative's "Blueprint" for federal tax reform did not outline any specific proposals that would amend the current tax-exempt status of municipal bonds. While this fact is encouraging, statements regarding the elimination of deductions, exemptions, and credits create the need to reaffirm the tax-exempt status of municipal bonds. Municipal bonds are the most effective tool U.S. state and local governments use to finance the development of infrastructure that is essential to increasing U.S. economic growth. Therefore, the tax-exempt status of municipal bonds must be preserved.

For over 100 years, state and local governments have financed infrastructure and community improvement projects using tax-exempt municipal bonds. And, in the last decade alone, municipal bonds have funded more than $1.9 trillion worth of job and economic-growth producing U.S. infrastructure development. Infrastructure financed by municipal bonds is a critical component in building and maintaining a strong economy for every citizen and company in this country.

Eliminating or capping the current tax exemption for interest income related to municipal bonds would raise the cost of financing for job-creating infrastructure projects. In fact, it has been estimated that if the tax exemption for municipal bonds was fully repealed interest costs for state and local governments would have been $495 billion greater over a 10-year period. Any proposal that focuses on comprehensive tax reform should recognize the vital role that tax-exempt municipal bonds play in providing state and local governments with cost-effective financing for capital projects. Therefore, as you continue to deliberately and thoughtfully examine ways to reform our federal tax code to enhance economic growth and opportunity, we reiterate our support for preserving the current law, tax-exempt status of municipal bonds.

Sincerely,

Michael Nicholas
Chief Executive Officer
Bond Dealers of America