Dear Representatives Reed, Hultgren, Young, Neal, Larson and Kind:

Thank you for introducing H.R. 2229, the Municipal Bond Market Support Act of 2015. This bipartisan legislation would permanently increase the bank qualified annual debt limit from $10 million to $30 million, index that amount for inflation and apply it to individual borrowers.

The $10 million limit was created in The Tax Reform Act of 1986, and is worth significantly less today due to inflation. Bank qualified debt allows small governments and authorities to directly place their debt with banks, particularly community banks, and the banks are then able to deduct a percentage of the carrying costs for purchasing these bonds as with their other investments. As a result, local governments pay up to 0.5 percentage points less in borrowing costs for their debt. Additionally, this would have a significant and direct stimulative effect on jobs and needed infrastructure improvements for thousands of communities across the country.

This policy was in effect in 2009 and 2010 and was met with great success, but it expired on December 31, 2010. The legislation was re-introduced in 2011, 2013, and 2014 and is still needed today. By making these changes, local governments, schools, hospitals, colleges and others will be able to more easily access the capital markets, and sell debt in an efficient, less costly manner. Setting the bank qualified debt limit at $30 million and allowing it to be applied at the borrower level will enable thousands of local governments and entities to save in financing needed infrastructure, which ultimately is a savings for taxpayers.

We appreciate your leadership and look forward to working with you to advance this legislation.

Sincerely,

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