



TEXAS MUNICIPAL LEAGUE

*Empowering Texas cities to serve their citizens*

President **Holly Gray-McPherson**, Mayor Pro Tem, Roanoke  
Executive Director **Bennett Sandlin**

November 7, 2017

The Honorable Michael T. McCaul  
United States House of Representatives  
2001 Rayburn House Office Building  
Washington, D.C. 20515

RE: Federal Tax Reform Proposal - Private Activity Bonds and Advance Refunding Bonds

Dear Representative McCaul,

On behalf of the Texas Municipal League, I am writing to express our concerns over the preliminary draft of the federal tax reform plan released last week. The proposal contains provisions that could increase the cost of financing some major municipal infrastructure projects and make it harder for cities to save money by refinancing bonds when interest rates drop.

The proposal would eliminate the tax-exempt status for two specific types of municipal bonds that are used by Texas cities: private activity bonds and advance refunding bonds. Under current law, investors who purchase these two types of municipal bonds do not pay federal income tax on the interest they receive from the bonds. Because of this tax-exempt status, cities can get a lower interest rate when they issue the bonds. If these proposals become law, the result will be higher costs for capital improvement projects meaning fewer projects will be built or higher taxes to pay for them.

Private activity bonds can be used to finance projects like airports, solid waste facilities, and affordable housing. By scrapping the tax-exempt status of these bonds, the tax reform proposal would make these bonds less attractive to investors and ultimately limit the use of public-private partnerships to build critical infrastructure and create local jobs.

Advance refunding bonds are issued by cities to refinance debt issuances to take advantage of lower interest rates. The purpose of these bonds is to restructure debt in a way that saves taxpayer dollars.

We strongly urge you to oppose any effort to remove the tax-exempt status of private activity bonds and keep advance refunding bonds intact.

Thank you for your consideration and your continued support of Texas cities. Please let me know if we can be of any assistance.

Sincerely,

Bennett Sandlin  
Executive Director



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President **Holly Gray-McPherson**, Mayor Pro Tem, Roanoke  
Executive Director **Bennett Sandlin**

November 7, 2017

The Honorable Kevin Brady  
Chairman, House Committee on Ways and Means  
1011 Longworth House Office Building  
Washington, D.C. 20515

RE: Federal Tax Reform Proposal - Private Activity Bonds and Advance Refunding Bonds

Dear Chairman Brady,

On behalf of the Texas Municipal League, I am writing to express our concerns over the preliminary draft of the federal tax reform plan released last week. The proposal contains provisions that could increase the cost of financing some major municipal infrastructure projects and make it harder for cities to save money by refinancing bonds when interest rates drop.

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Private activity bonds can be used to finance projects like airports, solid waste facilities, and affordable housing. By scrapping the tax-exempt status of these bonds, the tax reform proposal would make these bonds less attractive to investors and ultimately limit the use of public-private partnerships to build critical infrastructure and create local jobs.

Advance refunding bonds are issued by cities to refinance debt issuances to take advantage of lower interest rates. The purpose of these bonds is to restructure debt in a way that saves taxpayer dollars.

We strongly urge you to reconsider the removal of the tax-exempt status of private activity bonds and keep advance refunding bonds intact.

Thank you for your consideration and your continued support of Texas cities. Please let me know if we can be of any assistance.

Sincerely,

Bennett Sandlin  
Executive Director