

THE BOND BUYER

21 in House GOP lobby for PABs, advance refundings

By

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WASHINGTON – Twenty one House Republicans have sent a letter to the House and Senate GOP leaders urging them to preserve private activity bonds and advance refundings.

The number of House Republicans who signed the [new letter](#) is significant because it nearly equals the 22-seat majority Republicans hold in the House. No Democrats voted for the House tax reform bill and none are expected to support the final House-Senate legislation.

Republicans hold a 240-194 advantage in the House with one seat vacant pending a March 13, 2018 special election to replace former Rep. Tim Murphy, R-Pa.

“We strongly object to the proposed elimination of tax-exempt private activity and advance refunding bonds in any final tax reform package,” said the letter sent to House Ways and Means Committee Chairman Kevin Brady, R-Texas, and House Speaker Paul Ryan, R-Wis.

Their proposed termination, the letter said, “undermines President Trump's infrastructure and economic development agenda for the middle-class.”

Copies also were sent Senate Finance Committee Chairman Orrin Hatch, R-Utah, and Senate Majority Leader Mitch McConnell, R-Ky.

The letter pointed out that the proposed changes “violate a request made by 162 members of the House of Representatives in a March 9, 2017 letter.”

The earlier letter was a bipartisan request led by Reps. Randy Hultgren, R-Ill., and Dutch Ruppersberger, D-Md., co-chairs of the House Municipal Finance Caucus.

The new letter, dated Nov. 28, was initiated by Hultgren at the urging of the Municipal Bonds for America coalition and the Council of Development Finance Agencies.

The tax reform bill passed by the House on Nov. 16 would terminate PABs and advance refundings after Dec. 31.

The Senate version would also terminate advance refundings after Dec. 31, but would enhance their attractiveness to investors by repealing the alternative minimum tax paid by individuals.

Justin Underwood, director of MBFA, said on Thursday that the letter "clearly demonstrates that there are congressional members who are hearing from mayors and other locally elected officials in their districts who are concerned how critical Main Street infrastructure projects will be financed after Dec. 31."

"The MBFA is encouraged by the members who have stepped forward to sign this letter, and others who are working behind the scenes, to ensure the House and Senate leaders know of the devastating effect that the proposed elimination of tax-exempt private activity bonds and advance refundings will have on the future growth of communities across our country," Underwood said.

The American Society of Civil Engineers estimates the U.S. has a \$2 trillion shortfall in infrastructure spending. "Private activity bonds finance exactly the sorts of public private partnerships of which we need more of, not less," the letter said.

The letter also highlighted the use of advance refundings by state and local governments "to reduce the cost of financing existing debt."

House and Senate Republican leaders are under pressure on many issues to make changes to the tax reform bill, including Senate proposals to: enhance the child tax credit; enhance the treatment of pass through businesses and; install a triggering mechanism to reinstate some tax cuts if economic growth is less than predicted.

Nonetheless, the Senate voted 52-48 Wednesday night to begin 20 hours of debate on its version of the tax bill. Votes on numerous amendments are expected.

Sen. Susan Collins, R-Me., has amendments to counter the proposed full repeal of the state and local tax deduction by allowing homeowners to deduct up to \$10,000 for property taxes.

The focus on advocates of advance refundings and PABs is to try to retain them in the final tax legislation House and Senate Republican leaders will hammer out to reconcile differences in the two bills.