

THE BOND BUYER

Predicted death knell for PABs is premature, say two Republicans

By

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WASHINGTON — It's too early in the tax reform process to predict whether the proposed termination of tax-exempt private activity bonds will be in the final bill, two Republicans on the House Ways and Means Committee said Monday.

"This is a work in progress," said Rep. Jackie Walorski, R-Ind. "This is the beginning of a long week."

"We're looking at ways to make some changes to that," agreed Rep. Jim Renacci, R-Ohio.

Walorski and Renacci are among nine Republicans on the committee who are cosponsors of separate legislation that would expand the use of tax-exempt PABs to public buildings (H.R. 960).

The tax exemption for PABs has had not only had bipartisan support, but many municipal bond market experts expected their use to be expanded by Congress and the Trump administration as part of their plan to encourage new infrastructure investment through public-private partnerships.

"Don't look for logic here," said Rep. Bill Pascrell, D-N.J., another member of the committee.

Democrats on the committee support keeping the tax exemption for PABs, but Republicans hold a 24-16 majority on the committee.

"Democrats are never going to make this a good bill," Pascrell said. "Never. I don't care what we do. The New Jersey Chamber of Commerce just came out against this bill heavily and they are usually in the middle."

PABs were drawn into tax reform as a revenue raiser to help finance lower tax rates, especially for corporations.

Terminating the tax exemption for all PABs after Dec. 31, would raise \$38.9 billion over 10 years, according to the Joint Committee on Taxation. Other municipal bond market changes effective after Dec. 31 would terminate advance refundings to generate \$17.3 billion and repeal the use of tax credit bonds, which would lose \$500 million.

Ending the tax exemption for sports stadiums and arenas as of Nov. 2 would raise \$200 million.

Renacci is among 14 of the 26 Republicans on the committee who are cosponsors of legislation to strengthen the federal low-income housing tax credit which is often used in financing multifamily housing projects with PABs.

Although the proposed tax reform bill doesn't change the low-income tax credit, it would become an ineffective financing tool without the ability to use it in conjunction with tax-exempt PABs, Barbara Thompson, executive director of the National Council of State Housing Authorities, said last week.

Renacci acknowledged that link. "I think it is important to make sure the low-income tax credit is a working credit, which is very important," he said. "This isn't the final bill. This is a start. These are all things we are looking at. Hopefully between now and the end of the week and also before the end of the vote in the House and before this becomes law, there are things that will be changed."

Rep. Richard Neal of Massachusetts, the ranking Democrat on the committee, said members of his party have not yet decided whether to offer an amendment to restore the tax exemption for PABs.

"We're debating right now what to offer and how to message it," Neal said. "We think we'll get to that tonight."