

National Governors Association

International City/County Management Association

National Association of Counties

National League of Cities

U.S. Conference of Mayors

Government Finance Officers Association

National Association of State Auditors, Comptrollers and Treasurers

National Association of State Treasurers

American Hospitals Association

American Public Gas Association

American Public Power Association

American Public Works Association

Council of Infrastructure Financing Authorities

Education Finance Council

International Municipal Lawyers Association

Large Public Power Council

National Association of Clean Water Agencies

National Association of Health and Educational Facilities Finance Authorities

National Association of Local Housing Finance Agencies

National Council of State Housing Agencies

National School Boards Association

December 20, 2012

President Barack Obama
The White House
Washington, D.C. 20500

Speaker John Boehner
U.S. House of Representatives
Washington, D.C. 20515

Dear President Obama and Speaker Boehner:

Our organizations, representing states and local elected and appointed officials, urge you to retain the current federal government income tax exclusion for municipal bond interest during year-end negotiations to avert the “fiscal cliff.”

For 200 years, municipal bonds have assisted states, cities, and counties in financing their infrastructure needs, including roads, bridges, schools, hospitals, transit systems, housing, public power and gas systems and utilities, and other vital projects serving the public good. Given the tremendous overhang of unmet needs throughout the country, policymakers should encourage, not limit, financing for critical infrastructure projects, which will also create much-needed jobs.

Taxing municipal bonds would immediately increase borrowing costs for state and local governments by as much as two percentage points, which translates into a 25 percent increase in infrastructure costs over time. This would cause a significant decrease in infrastructure spending by states and municipalities, further slow the economic and jobs recovery nationally, and cost taxpayers and ratepayers billions of dollars in higher interest costs each year. Even the possibility of altering the tax treatment on outstanding

municipal bonds – essentially a retroactive tax – creates uncertainty and would have adverse effects on governments needing to access capital markets.

This uncertainty would have a chilling effect on infrastructure investments and jobs because the approximately \$40 billion annual cost from the municipal bond interest exclusion leverages \$400 billion in new infrastructure projects annually.

Making abrupt, fundamental changes to the current tax treatment of municipal bonds as part of year-end considerations would have far-reaching adverse and unintended consequences affecting jobs and infrastructure.

As part of the coming debate over comprehensive tax reform in 2013, our organizations stand ready to work with Congress and the Administration to discuss the treatment of infrastructure financing.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Crippen".

Dan Crippen, Executive Director
National Governors Association

A handwritten signature in black ink, appearing to read "Robert O'Neill".

Robert O'Neill, Executive Director
International City/County Management Association

A handwritten signature in blue ink, appearing to read "Matthew D. Chase".

Matthew D. Chase, Executive Director
National Association of Counties

A handwritten signature in black ink, appearing to read "Donald J. Borut".

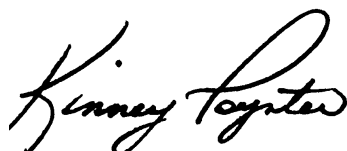
Donald J. Borut, Executive Director
National League of Cities

A handwritten signature in black ink, appearing to read "Tom Cochran".

Tom Cochran, CEO and Executive Director
U.S. Conference of Mayors



Jeffrey L. Esser, Executive Director/CEO
Government Finance Officers Association



Robert (Kinney) M. Poynter, Executive Director
National Association of State Auditors, Comptrollers and Treasurers



Kate Marshall, President
National Association of State Treasurers
Nevada State Treasurer



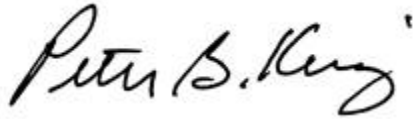
Rick Pollack, Executive Vice President
American Hospital Association



Bert Kalisch, President and CEO
American Public Gas Association



Mark Crisson, President & CEO
American Public Power Association



Peter B. King, Executive Director
American Public Works Association



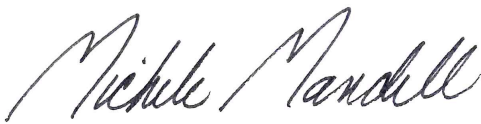
Rick Farrell, Executive Director
Council of Infrastructure Financing Authorities



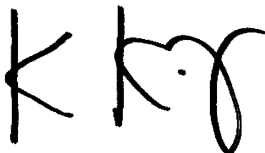
Vince Sampson, President
Education Finance Council



Chuck Thompson, Executive Director
International Municipal Lawyers Association



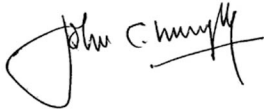
Missy Mandell, Executive Director
Large Public Power Council



Ken Kirk, Executive Director
National Association of Clean Water Agencies



Pamela Lenane, President
National Association of Health and Education Facilities Finance Authorities



John Murphy, Executive Director
National Association of Local Housing Finance Agencies



Barbara Thompson, Executive Director
National Council of State Housing Agencies



Thomas J. Gentzel, Executive Director
National School Boards Association