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Congress of the United States
House of Representatives
Washington, DC 20515-2702

[[DATE]]

The Honorable Jason Smith
Chairman
U.S. House Committee on Ways and Means
1011 Longworth House Office Building
Washington, DC 20515

RE: Municipal Bonds

Dear Chairman Smith,

We write to thank you for your continuing efforts to draft the upcoming extension bill for the Tax Cuts and Jobs Act (TCJA) and to collectively support the preservation of tax-exempt municipal bonds in the upcoming legislation. In communities across the country, the tax-exempt municipal bond has helped drive the local economy, spurred job growth, funded critical infrastructure projects and enhanced the quality of life of our constituents.

States, counties and other local governmental entities have financed infrastructure and community improvement projects utilizing tax-exempt municipal bonds for decades. Tax-exempt municipal bonds have been the cornerstone of our local government financial systems since their inception in the Revenue Act of 1913. These bonds make borrowing cheaper for state and local governments to fund day-to-day obligations and finance local capital projects such as building schools, hospitals, highways, or sewer systems.

In addition to providing a funding source for local government projects, tax-exempt municipal bonds provide a smart and reliable investment opportunity for individuals seeking steady income with tax advantages. The interest earned from municipal bonds is exempt from federal income taxes, and often not taxed by state and local governments, enhancing overall returns.

According to the U.S. Census Bureau, Construction Spending, December 2, 2024, states and local governments are responsible for more than 90 percent of all public-sector construction spending, most of which is funded through tax-exempt municipal bonds. Per the Government Finance Officers Association, the elimination of the municipal bond tax-exemption would correspondingly raise borrowing costs $823.92 billion, a cost that would be passed onto everyday Americans, resulting in a $6,554.67 tax and a rate increase for each American household over the next decade.

Associations and constituents have expressed their concern that the elimination of the tax-exempt status of municipal bonds would increase borrowing costs to fund projects, increase taxes and reduce services for residents, and cause the delay or cancellation of projects, impacting public safety and impeding economic growth.

According to the National League of Cities (NLC), tax-exempt bonds have financed more than three quarters of our nation's infrastructure. Across the country, our communities depend on strong, substantive federal tax policy for state and local governments to meet their capital needs. Since 1913, tax-exempt municipal bonds have worked to help overcome the financial shortfalls of federal infrastructure spending and to address the needs of our communities, from our largest metropolitan cities to our small rural towns across our country.

We urge your support in preserving the federal tax-exemption for municipal bonds, a critical tool that enables state and local governments to fund essential infrastructure projects efficiently and affordably. It is imperative that we recognize the profound benefits that tax-exempt municipal bonds provide to our communities and constituents.

We look forward to working with you on this vital issue and to further engagement with the Ways and Means Committee.

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