



November 27, 2012

The Honorable Max Baucus
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Dave Camp
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

The Honorable Orrin Hatch
Ranking Member, Committee on Finance
United States Senate
Washington, DC, 20510

The Honorable Sander Levin
Ranking Member, Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Chairmen Baucus and Camp and Ranking Members Hatch and Levin,

The Municipal Bonds for America (MBFA) is a coalition devoted to preserving the tax exempt status of interest on municipal bonds. The coalition is led by state and local government officials who rely upon affordable borrowing through municipal bonds to finance schools, roads, bridges, electric facilities, hospitals, and housing, and to lower financing costs for nonprofit student loan agencies. MBFA unites those government officials with bond dealers and other groups who act as a network to support the flow of capital to local communities for public works. Tax-exempt bonds fund local infrastructure that creates and supports jobs and competitive businesses nationwide.

As Congress considers an overhaul of the Federal tax code, the fiscal cliff and sequestration, we are writing to urge Congress not to fix what isn't broken and to maintain the current tax treatment of municipal bonds. The Federal tax exemption from interest earned on municipal bonds has been in existence for nearly 100 years and represents a boundary around Federal interference with local decisions.

The stability of municipal bonds fuels a robust market that reduces financing costs for issuers, who pass the savings on to taxpayers. Tax-exempt bonds are not easily replaced by other financial products. For example, sequestration would cut payments issuers are owed by the Federal government for "direct pay" bonds, such as Build America Bonds. In light of this, issuers and investors cannot feel confident that a Federal subsidy promised is a Federal subsidy kept. Tax-exempt bonds should not be replaced, and moreover, should be excluded from any cap on tax deductions. Such a cap would increase in borrowing costs for state and

local governments and create large losses for existing bondholders, rather than result in additional taxes on the wealthy.

It is imperative that Congress protect the ability of state and local governments to access cost-effective capital through the use of tax-exempt municipal bonds. The MBFA membership stands ready to help you analyze the merits of proposals that will affect tax-exempt bonds in the wake of balancing the budget and reforming the tax code. We hope you will bear in mind that tax-exempt financing has, for nearly 100 years, been a trusted source of capital for states, municipalities, public authorities and not-for-profits across the nation. We appreciate your consideration and look forward to working with you. Feel free to contact John Murphy at 202-367-1257 or jmurphy@nalhfa.org with questions regarding the coalition.

Regards,

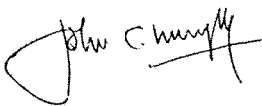
Executive Committee of the MBFA:



Marc Jahr, Chairman
President, New York City Housing
Development Corporation



Lars Etzkorn
Program Director
National League of Cities



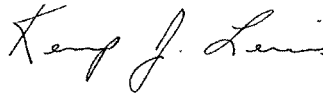
John Murphy
Executive Director
National Association of Local Housing
Finance Agencies



Marc S. Gerken, PE
President and CEO
American Municipal Power, Inc.



Harry Black
Director of Finance
City of Baltimore, MD



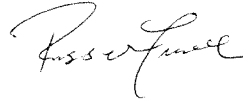
Kemp Lewis
Managing Director, Municipal Finance
Raymond James / Morgan Keegan



Joseph G. Costello
Executive Director
Regional Transportation Authority



Toby Rittner
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Council of Development Finance Agencies



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