

**American Association of Airport Executives
American Hospital Association
American Public Power Association
Bond Dealers of America
Council of Federal Home Loan Banks
Council of State Community Development Agencies
Education Finance Council
Government Finance Officers Association
Independent Community Bankers of America
International City/County Management Association
International Municipal Lawyers Association
Mortgage Bankers Association
National Association for County Community and Economic Development
National Association of Bond Lawyers
National Association of College and University Business Officers
National Association of Counties
National Association of Health and Educational Facilities Finance Authorities
National Association of Local Housing Finance Agencies
National Association of State Auditors, Comptrollers and Treasurers
National Association of Towns and Townships
National Community Development Association
National League of Cities
National School Boards Association
Rebuild America's Schools
United States Conference of Mayors**

December 3, 2010

The Honorable Max Baucus
Chairman
Committee on Finance
U.S. Senate
Washington, D.C. 20510

The Honorable Chuck Grassley
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C. 20510

The Honorable Sander Levin
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable David Camp
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairmen Baucus and Levin, and Ranking Members Grassley and Camp:

In addition to the Build America Bonds program, which has been the focus of recent reports on the make-up of a year-end tax legislation/extenders package, there are other expiring municipal bond-related provisions which have greatly benefited many state and local governments and authorities. If the programs are allowed to expire, additional economic stress will be added to communities across America. We urge you to include an extension of the following provisions in any forthcoming tax legislation this month:

\$30 Million Bank Qualified Debt Limit: The American Recovery and Reinvestment Act included a provision that increased the bank-qualified debt limit from \$10 to \$30 million. This allows smaller governments that

issue less than \$30 million of bonds a year to directly place their debt with banks, and save the costs of having to issue the bonds in an open market if it is even feasible. This provision has helped many governments and authorities issue millions of dollars in bank-qualified bonds, saving them hundreds of millions of dollars in debt issuance and rate costs. In addition, this modestly priced provision allows small charities to borrow at favorable rates by applying the exemption at the borrower level.

Exemption from Alternative Minimum Tax (AMT): Interest on private activity bonds is currently exempt from the AMT. This exemption has spurred increased interest in private activity bonds – including bonds for important infrastructure projects like airports, naval ports, student loans and water systems – and has enabled issuers to avoid a substantial interest penalty.

Federal Home Loan Bank (FHLBank) Letter of Credit: Current law allows FHLBanks to support their member banks in offering letters of credit on tax-exempt bonds. Allowing the use of FHLBank letters of credit provides an additional credit enhancement option for the financing of projects like water treatment facilities, hospitals, schools and other infrastructure improvements. Given the turmoil within and subsequent departure of the bond insurance industry from these municipal deals, there is an increasing need for governments to utilize letters of credit to lower their borrowing costs. This proposal, which essentially costs the federal government nothing, is needed now more than ever.

Allowing governments the ability to better access the capital markets and efficiently issue tax-exempt debt is essential to the country's recovery. We urge you to include in any forthcoming tax legislation all of these provisions that help state and local governments and our citizens.

Sincerely,

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