AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

April 15, 2013

The Honorable Lynn Jenkins
Chairman
Income and Tax Distribution
Tax Reform Working Group
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Joseph Crowley
Vice Chairman
Income and Tax Distribution
Tax Reform Working Group
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Jenkins and Vice Chairman Crowley:

On behalf of the more than 1,500 member organizations of the American Public Transportation Association (APTA), I write to make clear the importance of two tax provisions to a broad range of public transportation stakeholders.

Municipal Bonds

If Congress considers reforms to the tax code this year, in broad deficit reduction legislation or a more focused tax reform bill, we urge you to fully preserve the long-established provisions of federal law that ensure interest earned on municipal bonds is exempt from federal taxation. We ask that any effort to cap tax exemptions not include the exemption for interest on municipal bonds.

States and local governments have long relied on municipal bonds as a cost-effective way to attract private investment in public transportation projects. The interest exemption enables states and localities to pay lower interest rates on these bonds than if they issued taxable debt. Because interest income on the bonds is tax exempt, bond investors are willing to accept a lower interest rate on municipal bonds than they might otherwise accept on a taxable investment. Eliminating or capping this tax exemption would reduce the attractiveness of municipal debt for investors, and they would demand a higher interest rate on their investment. In turn, this would drive up borrowing costs for state and local governments issuing municipal bonds, in the form of higher interest rate costs and reduced debt capacity. Therefore, limiting the municipal bond interest exemption would hamper state and local financing for infrastructure investment during a period when federal funding for public transportation will fall far short of what is needed to sustain surface transportation programs after fiscal year (FY) 2014. In this time of declining HTF revenues, the municipal bond interest exemption is an important form of federal support for state and local infrastructure investment that is not dependent upon the Highway Trust Fund.

Financial Stability for the Highway Trust Fund

If Congress considers tax reform legislation this year, we strongly urge you to address the long-term financial stability of the Highway Trust Fund, to avert dramatic cuts to surface transportation programs projected for FY 2015. A predictable, long-term

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Federal commitment to surface transportation investment is essential to the nation's economic growth and international competitiveness. At the federal level, inflation has reduced the purchasing power of fuel taxes, last raised in 1993, by more than 37 percent, while higher fuel economy standards and increased use of hybrid/electric vehicles are further eroding fuel tax revenues. General fund transfers that have sustained the Highway Trust Fund since FY 2008 increase the Federal deficit without curing the real problems of declining dedicated revenues and the resulting chronic underinvestment in infrastructure.

Sustained federal support for public transportation investment − through preserving the exemption on municipal bond interest and increasing dedicated revenues to the HTF − is an essential component of the federal government's role of fostering the efficiency and reliability of our interconnected, national transportation network.

We look forward to working with your working group and the Ways and Means Committee as Congress addresses tax reform. We appreciate your consideration of APTA's views on these significant transportation investment issues. If you have questions, please contact APTA's Patricia Doersch at (202) 496-4810 or email pdoersch@apta.com.

Sincerely yours,

Michael P. Melaniphy
President & CEO

MPM/tjj