JAY INSLEE, Chair
Governor

KIM HERMAN
Executive Director

April 8, 2013

The Honorable Dave Reichert
US House of Representatives
1127 Longworth HOB
Washington, DC 20515

The Honorable John Lewis
US House of Representatives
343 Cannon House Office Building
Washington, DC 20515

Dear Congressmen Reichert and Lewis:

I am writing to strongly urge you to maintain the current tax treatment for itemized deductions and exclusions particularly as it applies to interest on tax-exempt bonds issued by state and local governments and authorities and charitable donations.

The Washington Higher Education Facilities Authority's ("WHEFA" or the "Authority) mission is to provide Washington's independent colleges and universities with access to low-cost capital for the expansion and modernization of campus facilities. The ability to obtain lower interest rates through the sale of tax exempt bonds has saved our borrowers millions of dollars. This savings is ultimately passed on to the students of the state in the form of lower tuition. Since 2009 savings to borrowing colleges and universities as a direct result of tax-exempt bond financing has totaled approximately $72 million. This represents savings that are passed on to the students of Washington State's private colleges and universities.

The president proposes to limit (or cap) itemized deductions and certain exclusions, including interest on otherwise tax-exempt bonds issued by state and local governments and authorities, to 28%. Under this retroactive proposal, investors whose tax rates exceed 28% would no longer be able to receive the full benefit of the tax-exempt interest they paid for when they purchased the bonds. In the case of newly issued tax-exempt bonds, investors would likely demand higher interest rates to make up for this new tax.

A cap on the exemption of tax-exempt municipal bond interest would increase infrastructure borrowing costs for thousands of U.S. educational entities, including large and small colleges and universities. A partial tax on otherwise tax-exempt interest earned by certain taxpayers would cause investors to demand higher returns on their investments to compensate for the loss of their full benefit of the tax-exempt interest. Resulting higher borrowing costs would suppress economic development, particularly in the construction related industries, and increase tuition and service charges.

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A cap would have a double impact in that it would negatively impact charitable donations. Charitable donations are also critically important to the ongoing growth and operations of colleges and universities. It's apparent that a change to the itemized deduction for charitable contributions would negatively affect the level of charitable giving, not only at WHEFA member schools but throughout the national nonprofit community.

We respectfully request your support for continuation of the current tax treatment for itemized deductions and exclusions particularly as it applies to interest on tax-exempt bonds issued by state and local governments and authorities and charitable donations, and that you oppose any restrictions or limits on itemized deductions.

Thank you for your consideration and support.

If there is anything we can assist you with, please do not hesitate to contact us. Thank you.

Sincerely,
WASHINGTON HIGHER EDUCATION FACLITIES AUTHORITY

Kim Herman,
Executive Director

Cc: Zachary Rudisill