



THE CITY OF RANCHO CUCAMONGA

March 28, 2013

The Honorable Dave Camp
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member, Committee on Ways and Means
U.S. House of Representatives
1106 Longworth House Office Building
Washington, DC 20515

Re: Tax Exempt Municipal Bonds

Dear Mr. Chairman and Ranking Member:

On behalf of the residents of the City of Rancho Cucamonga, California, I would like to thank you for holding the recent hearing entitled "Tax Reform and Tax Provisions Affecting State and Local Governments." The City of Rancho Cucamonga is very concerned about proposals to cap or eliminate the tax exempt status of municipal bonds.

The City of Rancho Cucamonga utilizes tax-exempt municipal bonds to finance public infrastructure that generates jobs and promotes economic growth in our community. For example, the upcoming I-15/Base Line Road Interchange Project is financed with tax-exempt municipal bonds and is estimated to create 776 jobs. Over the past decade, state and local governments across the country have financed over \$1.65 trillion in public improvements, utilizing these bonds for schools, hospitals, transit and infrastructure for water, roads, and public power.

Proposals to limit or eliminate tax deduction for municipal bonds will increase the cost of borrowing for state and local governments. Last year's proposal by the Administration to cap the deduction at 28 percent would have increased bond financing costs by 70 basis points (.7 percent), requiring issuers to pay more in interest in order to attract the same investors.

While the federal government forgoes \$32 billion annually in lost tax receipts because of the exemption of municipal bonds, much of that loss would be transferred to state and local governments in increased borrowing costs without the exemption. Additionally, many projects (totaling \$179 billion in 2012) would become more expensive, delayed, or not built without tax-exempt municipal bonds.

Tax exempt municipal bonds are an effective means of attracting private investment to public projects. We strongly oppose any changes made to the tax exempt status of municipal bonds and would encourage you to reject any such proposals in a future tax package the committee may consider. Thank you for your attention to this important issue.

Sincerely,

L. Dennis Michael
Mayor

cc: Rep. Gary Miller
Nancy Cisneros, League of California Cities