July 31, 2012

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member
Senate Finance Committee
219 Dirksen Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Hatch:

The groups listed above strongly support including in the upcoming tax extenders bill an extension of provisions that increase the “bank qualified” debt limit from $10 million to $30 million and apply the limit at the borrower level in conduit financings.

The “bank qualified” bond program was enacted in The Tax Reform Act of 1986 with a limit of $10 million. That amount, if indexed to inflation, is worth only $5.4 million today. Bank qualified debt allows small governments and authorities, as well as small charitable organizations, to directly involve local and community banks in the infrastructure financing process by permitting banks to deduct the interest expense of borrowing the funds needed to purchase the bonds. Without this easy access to the local bond market, small governments and charitable organizations would pay as much as 50 basis points more for needed infrastructure improvements for thousands of communities across the country.
Senators Jeff Bingaman (D-NM) and Mike Crapo (R-ID) recognized that the current limit is outdated and have worked since 2008 to increase the annual volume limit for bank-qualified bonds to $30 million. The legislation would also allow the bank qualified debt limit to apply directly to small education and health facilities. S. 1016, the *Municipal Bond Market Support Act* by Sens. Bingaman and Crapo, enjoys bi-partisan support in the Senate and identical bi-partisan legislation, HR 5705, is currently pending in the House.

We urge you to include an extension of the $30 million limit for bank-qualified bonds and application of the limit at the borrower level as you consider tax measures that will facilitate local investment and economic and job growth. Your support for this important change to the tax law, and for state and local governments and the businesses and citizens they serve, is greatly appreciated.

Sincerely,

Government Finance Officers Association, Susan Gaffney, 202-393-8468
International City/County Management Association, Elizabeth Kellar, 202-962-3611
International Municipal Lawyers Association, Chuck Thompson, 202-742-1016
National Association of Counties, Mike Belarmino, 202-942-4254
National Assn. of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451
National Association of State Treasurers, Peter Barrett, (202) 624-8592
National League of Cities, Lars Etzkorn, 202-626-3173
U.S. Conference of Mayors, Larry Jones, 202-861-6709

American Public Power Association, John Godfrey, 202-467-2929
Council of Development Finance Agencies, Toby Rittner, 216-920-3095
National Association of Local Housing Finance Agencies, John Murphy, 202-367-1197
National Council of State Housing Agencies, Garth Riemen, 202-624-7710
National Association of College and University Business Officers, Elizabeth Clark, 202-861-2553
National Assn. of Health & Educational Facilities Finance Authorities, Chuck Samuels, 202-434-7311

American Hospital Association, Mike Rock, 202-638-1100
Bond Dealers of America, Susan Collet, 202-204-7902
National Association of Bond Lawyers, Bill Daly, 202-503-3300
National Association of Independent Finance Advisors, Colette Irwin-Knott, 317-465-1504

cc: Senator Jeff Bingaman, Senator Mike Crapo