\*\*\*Sample Letter\*\*\*

December ­­­\_\_, 2012

The Honorable \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

U.S. House of Representatives

\_\_\_\_\_\_\_\_\_\_\_ House Office Building

Washington, DC 20515

**RE:  Maintaining the Tax-Exempt Status of Municipal Bonds**

Dear \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

As Congress and the White House work to reach agreement on a federal deficit reduction plan to avert the pending sequester, I am writing on behalf of the City of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to urge you to maintain the tax exemption on municipal bonds and oppose efforts to place a cap on the interest of bonds issued by state and local governments. Moving forward with these proposals would have profoundly negative impacts on local infrastructure development in our city and state.

State and local government bonds have been issued since the mid-1800s, and the federal tax exemption was included in the country’s income tax code since its promulgation in 1913. Through the tax-exemption, the federal government continues to provide critical support for the development and maintenance of essential facilities and services, which it cannot practically replicate by other means. Three-quarters of the total U.S. investment in infrastructure is accomplished with tax-exempt bonds, which are issued by over 50,000 state and local governments and authorities representing a three trillion dollar industry.

Tax-exempt bonds are a critical, core resource of public finance, and are used to help build roads, bridges, sewers, dams, schools, hospitals, and affordable housing across the country. Nearly four million miles of roadways, 500,000 bridges, 1,000 mass transit systems, 16,000 airports, 25,000 miles of intercoastal waterways, 70,000 dams, 900,000 miles of pipe in water systems and 15,000 waste water treatment plants have been financed through tax-exempt municipal bonds. Municipal bonds are also a safe and reliable investment option. Over 60 percent of tax-exempt bonds are held by individuals either directly or through mutual funds, with 50 percent of all tax-exempts owned by individuals with an adjusted gross income of under $200,000 annually. All grades of governmental tax-exempt bonds have proven to be safer investments than AAA corporate bonds.

In the City of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, we have used tax-exempt municipal bonds to finance [insert projects and benefits to your city/region].

Without the tax-exemption, state and local governments would pay more to raise capital. This cost would ultimately be borne by our taxpayers, through reduced infrastructure spending, decreased economic development, higher taxes or higher user fees. Proposals to reduce the tax benefit for municipal bond investors from 35 percent to 28 percent would also be similarly harmful to California cities. While we agree that reforms are necessary to reduce the federal deficit, eliminating the tax exemption on municipal bonds or reducing the tax benefit for investors in municipal securities will not achieve sufficient reductions, and will instead only further stagnate national economic growth.

Thank you for your attention to our concerns on this important economic development issue. Please contact \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ if you have any questions or need any additional information.

Sincerely,

cc: Jennifer Whiting, League of California Cities, Fax: (916) 658-8240