Senator Dean Heller
Senator Michael F. Bennet
Community Development & Infrastructure Tax Reform Working Group
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Heller and Chairman Bennet:

We, the undersigned representatives of issuers, dealers, community banks, and nonprofit organizations, strongly encourage you to permanently increase the bank qualified annual debt limit from \$10 million to \$30 million, index that amount for inflation, and apply it to individual borrowers. These provisions were included in a bipartisan House bill last year - H.R. 5199, the Municipal Bond Market Support Act of 2014 - and we believe that language should serve as the basis for consideration as you and your colleagues review federal tax policy.

As background, the \$10 million limit was created in The Tax Reform Act of 1986. Bank qualified debt allows small governments and authorities to directly place their debt with banks, particularly community banks, and the banks are then able to deduct a percentage of the carrying costs for purchasing these bonds, as with their other investments. As a result, local governments and charities pay up to 0.5 percentage points less in borrowing costs for their debt.

Unfortunately, the \$10 million limit is worth significantly less today due to inflation. The law also measures the qualification level only at the issuer level rather the borrower level, impeding bond pools for small governments and unintentionally barring thousands of small nonprofits who borrow through state conduit issuers from receiving this assistance. Congress temporarily increased the limit to \$30 million in 2009 and 2010 and applied the qualification level to borrowers, which was met with great success, but it expired on December 31, 2010.

By permanently enacting these changes, local governments, schools, hospitals, colleges and others, will be able to more easily access capital markets, and sell debt in a more efficient, less costly manner. For example, bank qualified bond issuers save between 25 and 40 basis points on an average compared to a traditional bond offering. On an average 15-year, \$3.89 million bank qualified debt financing, an issuer could expect to save between \$146,000 and \$233,000. This is a substantial savings for our nation's smaller governments and nonprofits, which can be used to maintain and improve valuable community services and finance other much-needed capital improvement projects. Setting the bank qualified debt limit at \$30 million and allowing it to be applied at the borrower level will enable thousands of local governments and other entities to save when financing capital projects, which ultimately leads to savings for taxpayers.

We appreciate the opportunity to submit input and welcome any questions you and your staff may have.

Sincerely,

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CC: Senator Dan Coats
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Senator Maria Cantwell
Senator Bill Nelson