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## **GOP Under Pressure on Bond Issue in Tax Bill.**

Groups representing affordable housing, hospitals, airports and colleges are intensely lobbying House Republicans to defer to the Senate and retain a critical financing tool scrapped in their own tax plan.

The groups say eliminating tax-exempt private activity bonds (PAB) would dramatically limit the ability of nonprofit hospitals to perform much-needed renovations, of certain colleges to finance new dorms and heating plants, of developers to build desperately needed affordable housing and much more.

Overall, they argue the changes will be harmful to vulnerable communities, making critical capital projects more expensive and likely resulting in the need to scale them back.

"Our support of all tax-exempt bonds is grounded in the harsh reality that a loss or restriction of the tax-exemption of interest on these bonds would immediately increase costs to state and local governments and nonprofit organizations (such as nonprofit hospitals, universities, and schools), in financing needed public services and the vital infrastructure that supports the economy," 35 groups wrote in a letter sent Wednesday to both chambers' Republican and Democratic leaders.

"This increase in cost will ultimately be borne by taxpayers, homeowners, renters, students, healthcare patients, commuters, air travelers, businesses relying on seaports, and other constituents."

It's crunch time for dozens of organizations as the Senate and House race to reconcile the differences between the chambers' tax bills before the holiday break.

Private activity bonds are a type of tax-exempt financing for projects with some public benefit. Dozens of groups say they're critical because they help finance capital projects for roads, housing, hospitals, primarily private colleges and universities, airports and other projects.

House Ways and Means Committee Chairman Kevin Brady (R-Texas) has raised skepticism over these bonds, saying they have "drifted far afield from their original mission."

"There's a simple test here: What are those uses that should be subsidized by every taxpayer in America?" Brady told reporters Wednesday. "Which of those categories are so important to our infrastructure, to our national base, that every taxpayer should help pay for it?"

He declined to go into the specific categories, adding, "Once the [Senate] conferees are named, we'll have that discussion."

But not all House Republicans agree with Brady.

Across the Capitol, at least two Senate conferees indicated their support for private activity bonds.

When asked if he believes the final version of the tax overhaul would keep private activity bonds,

Senate Majority Whip John Cornyn (R-Texas) replied, "I hope so, I hope so."

Sen. Tim Scott (R-S.C.), another conferee, said he doesn't have a strong opinion on the bonds but is likely to advocate for keeping them since that's what the Senate bill would do. At the same time, he suggested there could be some changes to the bonds.

"I defer to the Senate product that we had an opportunity to weigh in heavily, so I think there's ultimately a lot of good being done through the PABs," Scott said. "Do we keep it in its current form? I don't know. I'm going to likely advocate that we do."

The math of the tax bill is complicated for Republicans, who can't pass a bill that adds more than \$1.5 trillion to the deficit over 10 years under budget rules that prohibit a filibuster in the Senate.

Further complicating matters, the Senate reinstated the corporate alternative minimum tax in its bill not long before the measure passed to offset the cost of other provisions. Business groups were furious, and many senators are looking to remove the tax or soften it. To do so, senators will have to find money somewhere else to keep under the \$1.5 trillion figure.

Eliminating private activity bonds would raise nearly \$39 billion over 10 years, the nonpartisan Joint Committee on Taxation estimates.

Groups are ramping up the pressure, sending letters to congressional leaders and talking to Congress.

The Council of Development Finance Agencies is sending offices examples of projects that used private activity bonds in their states or districts — and that, they say, likely couldn't have happened without them.

In interviews, many associations warned that the stakes are high for the members they represent.

For nonprofit hospitals, private activity bonds serve as a source of low-cost capital, said Mike Rock, the senior associate director of federal relations for the American Hospital Association.

"It's going to increase their costs, and therefore reduce the resources they have for patient care and providing access to care in their communities," Rock said.

Cash-strapped rural hospitals could, in particular, feel the brunt of this provision, sources said.

"It would not be melodramatic to say that rural hospitals will close throughout the United States if this provision becomes law and certainly the necessary upgrades, or sometimes even new hospital construction that's necessary, will be delayed or restricted," said Charles Samuels, general counsel for the National Association of Health and Educational Facilities Financing Authorities.

The repeal of private activity bonds could mean that airport renovations cost \$3.2 billion more over the next five years, as the bonds are used to build new terminals, upgrade airport gates and other improvements to terminals, said Annie Russo, Airports Council International's vice president of government and political affairs. They might scale back or scrap some improvement projects.

"It's not only bad for airports and infrastructure overall and for the municipal community, but at the end of the day in the airport world, it's the passenger who bears the burden for this change in the House bill," she said.

The repeal of these bonds could also mean a loss of up to 881,000 affordable rental homes over 10

years, according to Novogradac and Company, an accounting firm that specializes in the real estate sector. That's also because developers get a 4 percent tax credit if at least half of their construction for an affordable housing project is financed by private activity bonds.

Barbara Thompson, the executive director of National Council of State Housing Agencies, was cautiously optimistic at the end of last week that private activity bonds would be kept in the final legislation.

"I don't think we're going to be lost in the shuffle to these larger issues," she said. "I think at the end of the day members will recognize that they will literally gut affordable housing efforts in this country at a time when they're needed most during one of the most severe housing crisis we have faced in modern history."

THE HILL

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