Ending Muni Tax Break 'Would Be a Killer,' NYC MTA Official Says.

- **NYC's transit system relies on tax-exempt debt for upgrades**
- **MTA would need to cut borrowing by $3 billion absent exemption**

One of the biggest issuers in the municipal-bond market is warning it may need to scale back its borrowing plans if federal lawmakers eliminate the tax-exemption on municipal debt.

The Metropolitan Transportation Authority, which runs New York City's transit system, anticipates selling $13 billion of debt to help support its 2025—2029 capital plan. But the MTA would need to lower that amount to about $10 billion if the agency were forced to sell taxable bonds rather than tax-exempt, according to Kevin Willens, the agency's chief financial officer.

"There's been discussion of eliminating tax exemption for public sector infrastructure projects, which would be a killer to our ability to raise capital," Willens said Monday during the MTA's finance committee meeting.

The MTA had $47.3 billion of outstanding debt as of Feb. 12, according to agency data. Its system of subway, bus and commuter rail lines relies on the municipal-bond market to keep its infrastructure in a state of good repair and to also rehabilitate a more than 100-year-old system that gets pummeled by extreme weather events.

"Unless we got additional revenue, we'd have to borrow less because debt service cost for every dollar borrowed would be higher," Willens said in an interview after Monday's committee meeting.

Tax-exempt debt helps finance public works projects throughout the US. Federal lawmakers are working on potential tax reform legislation that may limit the use of such borrowings or even eliminate it completely. Ending the tax benefit on municipal debt would cost states and local governments about $824 billion over a decade, according to a report by Public Finance Network, a collection of industry groups.

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