Bond Case Briefs

Municipal Finance Law Since 1971

Lawmakers Circulate Bipartisan Letter to Preserve Tax-Exempt Bonds.

A Maryland Democrat and an Illinois Republican are circulating a letter to colleagues asking for their support in preserving the tax-exempt status of municipal bonds.

Rep. Dutch Ruppersberger, D-Md., and Rep. Randy Hultgren, R-Ill., sent their fellow lawmakers an email and a hard copy draft letter addressed to House Speaker John Boehner, R-Ohio., and House Minority Leader Nancy Pelosi, D-Calif., expressing concerns about proposals to eliminate or cap tax exemption.

“Eliminating or capping the current deduction on municipal bonds would severely curtail state and local governments’ ability to invest in themselves,” they wrote. “It would increase borrowing costs to public entities and shift costs to local residents through tax or rate increases.”

The Maryland Association of Counties voiced concern to Ruppersberger, a former county executive, that the idea to cap or eliminate tax exemption was gaining traction on Capitol Hill and at the White House, a congressional aide said. They asked Ruppersberger to investigate ways to preserve municipal bonds.

The one- page Dear Colleague letter notes that proposals to cap or eliminate tax exemption appeared in President Obama’s fiscal year 2014 budget, the Simpson-Bowles report and a recent Government Accountability Office report. Obama suggested capping tax exemption at 28% rate, while the Simpson-Bowles and GAO report suggested eliminating tax exemption altogether.

“Neither capping nor eliminating the deduction on municipal bonds is a smart solution to our country’s economic and fiscal challenges,” the letter said. “It is our hope that you will reject proposals to alter the tax-exempt status of municipal bonds. While we agree that we must reduce government spending and our country’s unsustainable debt, we should not be eliminating a vital tool for job growth and economic development.”

The letter also highlighted that municipal bonds have funded more than $1.9 trillion in infrastructure construction including for schools, airports, roads and public transit in the past decade and more than $179 billion in infrastructure spending in 2012. The lawmakers called it “irresponsible to jeopardize” funding for teachers, firefighters, hospital workers and police officers who work in infrastructure-related industries.

The letter comes one week after the collapse of a bridge along Interstate 5 in Washington state, spurring debate about whether Congress should be spending more money on infrastructure.

Ruppersberger and Hultgren sent an email version of the letter to all 435 members of the House and 625 hard copies to House committees and leadership offices.

The final letter will be sent to Boehner and Pelosi once a sufficient number of signatures have been collected, aides said.

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com