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Brady Open to Keeping PABs, Limiting Their Uses.

WASHINGTON - House Ways and Means Committee Chairman Kevin Brady said Thursday that he might agree to preserve private activity bonds, while pushing for limits on their uses in upcoming negotiations over a final tax bill with the Senate.

"I think over time that's an area that has drifted in its mission from infrastructure projects that have regional or national significance that should be supported by every taxpayer in America into a wide range of issues," Brady, R-Texas, said in response to a question from The Bond Buyer.

Brady's comment came during a media availability to talk about the progress on tax reform.

The Senate is working toward passing its bill and the House leadership announced on Thursday that the House will vote Monday night on whether to go to conference with the Senate.

The tax reform bill passed by the House on Nov. 16 would terminate PABs and advance refundings after Dec. 31.

The bill pending in the Senate would also terminate advance refundings after Dec. 31, but would preserve PABs and even enhance their attractiveness to investors by repealing the alternative minimum tax that applies to them (except for 501(c)(3) bonds).

Brady said House lawmakers have been learning about the various uses of PABs. "Part of the reason for addressing it in the House version was to have this discussion about should they continue, and if so, in what form," he said.

Meanwhile, twenty one House Republicans sent a letter to the House and Senate GOP leaders earlier in the week urging them to preserve PABs and advance refundings.

The number of House Republicans who signed the new letter is significant because it nearly equals the 22-seat majority Republicans hold in the House. No Democrats voted for the House tax reform bill and none are expected to support the final House-Senate legislation.

Republicans hold a 240-194 advantage in the House with one seat vacant pending a March 13, 2018 special election to replace former Rep. Tim Murphy, R-Pa.

"We strongly object to the proposed elimination of tax-exempt private activity and advance refunding bonds in any final tax reform package," said the letter sent Brady and House Speaker Paul Ryan, R-Wis.

Their proposed termination, the letter said, "undermines President Trump's infrastructure and economic development agenda for the middle-class."

Copies also were sent Senate Finance Committee Chairman Orrin Hatch, R-Utah, and Senate Majority Leader Mitch McConnell, R-Ky.

The letter pointed out that the proposed changes “violate a request made by 162 members of the House of Representatives in a March 9, 2017 letter.”

The earlier letter was a bipartisan request led by Reps. Randy Hultgren, R-Ill., and Dutch Ruppersberger, D-Md., co-chairs of the House Municipal Finance Caucus. Brady acknowledged understanding the message in the letter.

“I think it’s important to hear from our members,” he said. “The House really stripped down the tax code to its bare essentials and started to rebuild it based on what’s important this century, not last century. And so we’re learning what’s really important and that’s why we restored the adoption tax credit and the employer \$5,000 help for child care.”

The new letter, dated Nov. 28, was initiated by Hultgren at the urging of the Municipal Bonds for America coalition and the Council of Development Finance Agencies.

Justin Underwood, director of MBFA, said on Thursday that the letter “clearly demonstrates that there are congressional members who are hearing from mayors and other locally elected officials in their districts who are concerned how critical Main Street infrastructure projects will be financed after Dec. 31.”

“The MBFA is encouraged by the members who have stepped forward to sign this letter, and others who are working behind the scenes, to ensure the House and Senate leaders know of the devastating effect that the proposed elimination of tax-exempt private activity bonds and advance refundings will have on the future growth of communities across our country,” Underwood said.

The American Society of Civil Engineers estimates the U.S. has a \$2 trillion shortfall in infrastructure spending. “Private activity bonds finance exactly the sorts of public private partnerships of which we need more of, not less,” the letter said.

The letter also highlighted the use of advance refundings by state and local governments “to reduce the cost of financing existing debt.”

“While it’s difficult to say what the eventual impact of this letter will be, right now it does strengthen the hand of Senate negotiators who want to ensure private activity bonds are protected in a final bill,” said Tim Fisher, legislative and federal affairs coordinator for CDFA. “It’s a valuable chip for negotiators to have in the horse-trading to come.”

House and Senate Republican leaders are under pressure on many issues to make changes to the tax reform bill, including Senate proposals to: enhance the child tax credit; enhance the treatment of pass through businesses and; install a triggering mechanism to reinstate some tax cuts if economic growth is less than predicted.

Nonetheless, the Senate voted 52-48 Wednesday night to begin 20 hours of debate on its version of the tax bill. Votes on numerous amendments are expected.

Sen. Susan Collins, R-Me., has amendments to counter the proposed full repeal of the state and local tax deduction by allowing homeowners to deduct up to \$10,000 for property taxes.

The focus on advocates of advance refundings and PABs is to try to retain them in the final tax legislation House and Senate Republican leaders will hammer out to reconcile differences in the two bills.

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