
House's Brady Signals Tax Bill May Ease Curbs on Muni-Bond Sales.

- **'Private activity bonds can play an important role,' he says**
- **Risk of subsidy loss triggered a rush to sell debt this month**

Lawmakers are re-examining a provision that would roll back subsidies for a big chunk of the municipal-bond market beginning next year, according to House Ways and Means Chairman Kevin Brady.

The House bill calls for repealing the tax-exemption for so-called private activity bonds that allow hospitals, airports, housing developers and other businesses to finance projects at low interest rates. That provision has led to a flood of new bond issues that's on track to set a record this month as issuers rush to sell billions of dollars of the securities while they still can. The Senate bill doesn't curb sales of private activity bonds.

Brady, who's overseeing the House-Senate conference committee that will iron out the differences in the chambers' two bills, said lawmakers aren't necessarily going to roll back the tax breaks for the bonds completely.

"I think there's agreement that private activity bonds can play an important role," he told reporters Tuesday. The bonds are important for infrastructure also, he said.

Brady said last week that GOP lawmakers were looking at a number of categories of the securities to determine whether the projects they finance justify the subsidy.

"We are going to have that discussion with the Senate to find a resolution there," he said. "I think private activity bonds have drifted far afield from their original mission. There is a simple test: What are those activities that must be subsidized by every taxpayer?"

Whatever lawmakers decide on private activity bonds, the municipal market will still likely be affected by other provisions in the legislation: Both the Senate and the House bills would eliminate the use of tax-exempt bonds for advance refundings, a technique state and local governments use to refinance tens of billions of dollars of debt each year.

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