

# Bond Case Briefs

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## BDA Washington Weekly - Munis Back in Spotlight / MBFA's Virtual Fly-In

In a week in which Congress began to take definitive steps towards drafting infrastructure legislation, bipartisan talks began to fall apart, with a rise in corporate rates as a “red-line” for Congressional Republicans.

Just 4 days ago, a deal was realistically in sight. Leaders from both parties were set to meet with the President on Wednesday to discuss a compromise on infrastructure, and on Thursday a bipartisan working group Senate Committee Ranking Members was set to meet with Biden for a second time to work through original hiccups. However, following the Wednesday meeting, House Minority Leader Kevin McCarthy (R-CA) and Senate Minority Leader Mitch McConnell (R-KY) drew a red-line, announcing the deal would not proceed with any changes to the 2017 Tax Cuts and Jobs Act in which corporate rates were slashed to 21%.

As noted, a working group of 6 Republican Senators met with the President yesterday in the last ditch effort to find a compromise. While it's too early to call the meeting fruitless, hopes remain dashed after the meetings earlier in the week.

**This week, the [MBFA hosted a virtual fly-in](#) to discuss muni financing in the context of infrastructure, meeting with senior Hill and Administration staff as the package continues to be debated.** While bipartisan hopes are fading, a package is still in sight. With the budget reconciliation tool likely in play, the BDA expects this infrastructure spending package to be more than \$2 trillion dollars, and likely will include many municipal bonds priorities.

More on the potential for muni legislation below.

**\*\*New BondingTime DC with John Godfrey of the American Public Power Association. We discuss infrastructure and muni investment, the Clean Energy for America Act, and the outlook for the remainder of 2021.**

The podcast can be found [here](#).

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### **Muni Watch: House Hearing on Muni Financing Announced**

Next week, the House Committee on Ways and Means is hosting a hearing titled “[Leveraging the Tax Code for Infrastructure Investment](#).” The hearing will be hosted by the full Committee on Wednesday, May 19th – a sign that draft tax title legislation for the eventual infrastructure package should soon follow.

It is widely believed that BDA and MBFA priorities will be discussed extensively during the hearing, including:

- Restoration of tax-exempt advance refundings;
- Raise the BQ debt limit;
- Reinstatement of direct-pay bonds; and
- Expansion of PABs for ESG use.

A key point of the debate revolves around the American Infrastructure Bond Act, legislation that would reinstate a direct pay bond, similar to the Build America Bond. [House legislation](#) has much higher reimbursement rates but is subject to sequestration, while the [Senate bill](#) has a flat rate and is exempt from sequestration.

**The BDA and the MBFA continue to press for this new product to be exempt from sequestration.**

Through meetings with senior Hill and Administration staff during the MBFA virtual fly-in this week, we have learned that Hill Leadership is taking steps to ensure that prior to Memorial Day infrastructure legislative text will be introduced. While the House remains focused on passing the legislation by the July 4th holiday, many potential hiccups remain, especially considering how narrow the House majority is.

The Senate is expected to produce legislation in a similar timeline, however, many details are still in flux on that side of the Capitol.

**Bond Dealers of America**

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