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House GOP Ways and Means Member Aims to Protect Muni Tax Break.

- **Congressman Yakym supports reviving muni advance refundings**
- **But private-activity muni bonds likely to get a look, he says**

A Republican member of the House Ways and Means Committee said he's working to keep the federal tax exemption for municipal bonds intact as the chamber reconciles its budget framework with the Senate.

"We have to protect the tax exemption for our municipal bondholders full stop," Congressman Rudy Yakym, a Republican from Indiana, who also heads the House Municipal Finance Caucus, said in a telephone interview on Thursday. "The thing that we have to protect most is the municipal-bond status for cities and towns across the country."

Last month, a menu of spending cuts that circulated among House Republicans listed ending the tax-exempt status on municipal bonds as one of the options to extend certain tax cuts when they expire. That prompted municipal issuers and bankers to lobby lawmakers to keep the exemption that underpins the \$500 billion-a-year debt market.

While many in the industry are worried about the pullback of the exemption, it hasn't been a discussion point on the Ways and Means Committee, which has jurisdiction over the federal tax code, Yakym said.

"It is being hotly debated but the hot debate is taking place — from my observation, my vantage point — outside the halls of Congress as opposed to inside," Yakym said. "As we look at the menu of options that are available to us, my goal in the committee is to ensure that municipal tax-bond exemption removal is not on that menu for discussion."

Yakym, who previously served on the Indiana Finance Authority, a conduit for municipal issuers to sell bonds, said he's seen firsthand the positive impact of the muni tax-exemption. It provides municipal borrowers, particularly the smallest towns, access to low-cost capital that they may not have otherwise to fix roads or sewer systems, he said.

Roughly \$11 billion in municipal bonds are currently outstanding in Yakym's district, which includes South Bend. Without tax exemption, the cost of that debt could be at least \$150 million higher a year, he said, based on estimates.

A niche within the broader municipal industry called "private activity bonds" may be subject to some scrutiny in terms of cost and impact, he said. Such debt can be issued by public agencies on behalf of colleges, hospitals, airports, affordable housing developers, and other entities.

Along with Representative David Kustoff, a Republican from Tennessee, Yakym is also advocating to revive a debt-refinancing tactic that allows state and local government borrowers to sell tax-exempt muni bonds for so-called advance refundings. This provision was eliminated as part of the 2017 tax

cuts.

The congressmen are now seeking co-sponsors for legislation introduced earlier this month, with the hopes of including the measure in budget reconciliation.

“We want to provide the opportunity for these municipalities to do advance refunding and to be able to refinance their debt successfully as interest rates continue to fall,” Yakym said.

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