



May 7, 2020

The Honorable Richard Neal
Chairman
House Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building

The Honorable Kevin Brady
Ranking Member
House Committee on Ways and Means
U.S. House of Representatives
1139 Longworth House Office Building

Dear Chairman Neal and Ranking Member Brady:

The American Securities Association¹ appreciates recent actions taken by Congress to safeguard the health of the American people and stabilize the economy in the wake of turmoil caused by COVID-19. As the Committee considers further action to assist state and local governments, the ASA strongly supports the reinstatement of the tax exemption for advance refundings of municipal bonds.

Advance refundings would allow states and municipalities across the country to lower their borrowing costs and take advantage of an unprecedented low interest rate environment while still honoring outstanding bonds that fund longer-term projects. Permitting advance refunding will also improve the credit quality of the underlying bonds as issuing states and municipalities take the proceeds from the advance refunding and put them in an escrow account secured by U.S. treasury or agency securities, which have the highest credit quality.

The Tax Cut and Jobs Act of 2017 (TCJA) removed the tax exemption for the advance refunding of municipal bonds. At the time of the TCJA, the U.S. economy was enjoying sustained prosperity. However, the COVID-19 crisis has had a severe, negative impact on our national, state, and local economies. The ASA believes that one way to help our state and local economies manage their finances more effectively is to reinstate a previously widely-used financing tool like tax-exempt advance refundings.

Last year, a bipartisan bill, H.R. 2772, *the Investing in Our Communities Act*, authored by Rep. Dutch Ruppersberger, was introduced in the House to reinstate tax-exempt advance refundings. Economic circumstances have drastically changed since the TCJA was passed, and the ASA believes that the benefits of tax-exempt advance refunding bonds would be particularly

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States





american securities association

America's Voice for Main Street's Investors

meaningful at this time, helping to lower costs and shore up municipal balance sheets across the nation.

We thank you for your service to our country during this difficult time and we greatly appreciate your consideration and focus on this important issue.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
Chief Executive Officer
American Securities Association

Cc: The Honorable Nancy Pelosi, Speaker of the House
The Honorable Kevin McCarthy, House Minority Leader



American Securities Association
1455 Pennsylvania Ave. NW, Suite 400
Washington, D.C. 20004



AmericanSecurities.org
 @amersecurities



202.621.1784
