National Association of Bond Lawyers

PHONE 202.682.1498
FAX 202.637.0217
governmentalaffairs@nabl.org

Governmental Affairs Office
601 13th Street, NW
Suite 800 South
Washington, DC 20005

April 29, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue NW
Suite 2100
Washington, DC 20220

Re: Tax Simplification and Reform Recommendations for Municipal Bond Market Submitted by National Association of Bond Lawyers

The National Association of Bond Lawyers (NABL) welcomes the opportunity to comment on federal tax reform. The municipal bond market is unique to the United States. The United States is the only nation that permits autonomous local governments direct access to the capital markets to finance local infrastructure. This public financing mechanism underpins our federal system of local self government, and has resulted in almost $2 trillion of valuable local infrastructure that, in the absence of the municipal bond market, would have required an almost 50% increase in the $4.3 trillion of externally-held public Treasury debt to finance. In addition, locally financed infrastructure has a direct impact on economic development and job creation – central to the health of our national economy.

We commend the President's Advisory Panel on Federal Tax Reform (Panel) for its efforts. However, certain tax reform proposals, such as a flat tax or a national sales tax, would not only adversely affect state and local governments and the federal fisc, but also individual investors and others who hold the $2 trillion in existing state and local government bonds, as the value of those bonds declines as their attractiveness declines. Any tax reform proposal should encourage and promote a more efficient municipal bond market.

Because of the potential adverse impact on the municipal bond markets of unintended consequences of changes in tax policy, NABL believes that it is vital that any tax reform proposal consider the impact that it may have on the municipal bond markets.

In June 2002, NABL submitted an in-depth report to the Department of the Treasury http://www.nabl.org/library/comments/taxsimplification/index.html regarding tax simplification recommendations for tax-exempt bonds. In the 2002 Report, NABL focused mainly on three aspects of the tax-exempt bond tax rules: ways to simplify the basic boundary for traditional tax-exempt governmental bonds under the private activity bond definition; ways to reduce the administrative impact of the arbitrage investment restrictions applicable to most tax-exempt bonds; and ways to simplify the common restrictions on most tax-exempt private activity bonds in recognition of the effectiveness of the private activity bond volume cap.

NABL believes that these recommendations are as relevant, if not more so, today as they were in 2002. Accordingly, NABL respectfully asks that the 2002 Report be reviewed and considered for inclusion in the Panel's final report.

Thank you for your consideration.

Respectfully submitted,

Monty Humble

Monty G. Humble
President
National Association of Bond Lawyers