

The Honorable Jeff Flake
United States Senate
Washington, DC

Dear Senator Flake;

On behalf of Bard Water District, North Gila Irrigation District, Yuma Irrigation District, Wellton-Mohawk Irrigation District, Yuma Mesa Irrigation District, Unit B Irrigation District, Yuma County Water Users Association, the City of Yuma, City of San Luis, City of Somerton, Town of Wellton and the Yuma Regional Medical Center, I am writing to express our strong support for continuing the current federal tax exemption for municipal bond interest.

It has come to our attention that Senate Finance Committee Chairman Max Baucus and Ranking Member Orrin Hatch have proposed “blank slate” tax reform that would eliminate all tax breaks. In turn, Senators are being asked to submit proposals to have provisions added back into the draft tax plan. I urge you to make the request to preserve the tax exempt status of municipal bonds.

State and local governments and publically-owned irrigation districts have used tax-exempt municipal bonds to build public infrastructure for more than 200 years. In fact, 75 percent of all national infrastructure projects have been completed using this low-cost, market-driven financing tool. Over the last decade, municipal bonds were used to finance \$1.65 trillion in state and local infrastructure investments.

To impose a new federal tax on interest income from municipal debt obligations would cripple the \$3 trillion municipal bond market and increase borrowing costs for state and local governments and publically-owned and operated irrigation agencies like ours. The result of a repeal of tax-exempt bonds, or even a more limiting cap, would lead to an increase in local taxes, a reduction in infrastructure spending nationwide, and a significant unsettling of the bond market with ripple effects in the economy.

This tax provision is a deeply rooted public policy that the government has deemed beneficial to Americans and to the economy. As demonstrated by the number of Municipalities and Irrigation Districts and our not for profit Regional Medical Center represented, this is a critical economic tool for this region of Arizona.

Sincerely,