BONDS PROMOTE FISCAL RESPONSIBILITY

Some policymakers and outside interest groups seeking to pay for new federal spending or cuts in federal income tax rates have called for a tax on municipal bond interest. Some would rationalize this unprecedented move by arguing that the current tax-exemption for bond interest has led to runaway state and local spending on unwise or unnecessary projects. Nothing could be further from the truth.

Bonds hold state and local governments accountable.

- Generally, municipal bonds must be approved by voter referendum or an affirmative vote of a governmental body (a city council, county council, utility board, or the like).
- The federal tax exemption for bond interest reduces borrowing costs, but it is state and local residents who repay principal and interest.

History shows that state and local governments have used bonds responsibly.

- Over the last decade, while federal debt has nearly doubled (both in real dollars and as a percent of GDP), state and local debt has remained flat in real dollars and declined as a percentage of GDP.[1]

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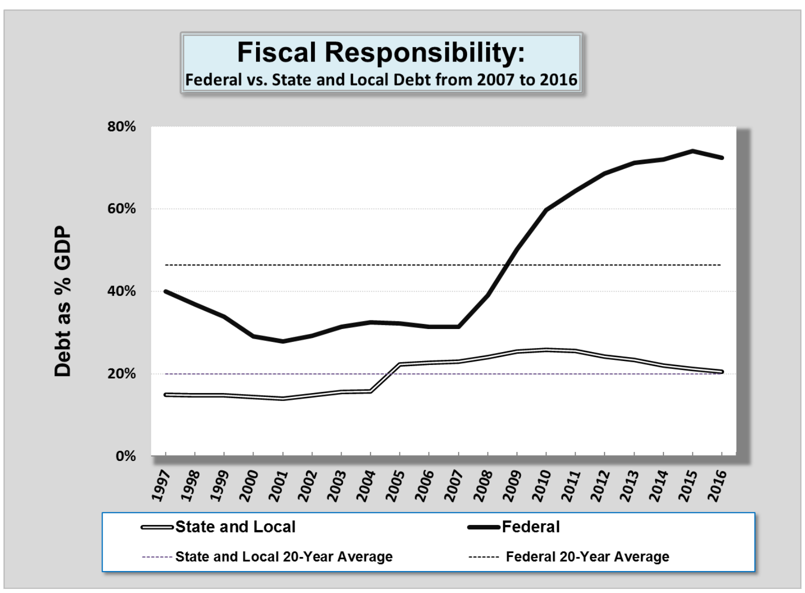

[1] Board of Governors of the Federal Reserve, *Flow of Funds Accounts of the United States*, (Sept. 16, 2016).

Municipal Bonds for America (MBFA) is a non-partisan stakeholder coalition of municipal bond issuers, State and local government officials, and regional broker dealers working together to explain the many benefits of municipal bonds, highlighting the federal tax-exemption which enables financing of vital infrastructure projects at the lowest cost to residents while maintaining the integrity and value of the municipal bond market and providing the highest quality investments for municipal bond investors.