AMERICAN
PUBLIC
TRANSPORTATION
ASSOCIATION

April 9, 2015

The Honorable Dean Heller
Co-Chair
Community Development &
Infrastructure Working Group
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Michael Bennet
Co-Chair
Community Development &
Infrastructure Working Group
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Heller and Senator Bennet:

On behalf of the American Public Transportation Association (APTA) and its more than 1,500 member organizations, please accept our thoughts below on four critical tax reform matters which impact the transportation industry and communities across our country.

Parity Between Transit and Parking Fringe Benefits

We urge the members of the Community Development & Infrastructure Working Group to support permanent tax parity for public transportation and parking fringe benefits. At the end of 2013, the transit benefit expired nearly cutting in half a benefit used by millions of transit riders across the country, while the parking benefit actually increased to a monthly maximum of $250/month—a skewed federal policy that incentivizes driving over public transportation as a commuting option.

APTA estimates that more than 3 million people utilize transit tax benefits to help reduce their public transportation costs for commuting to and from work. By offering pre-tax transit benefits to employees, businesses realize savings from reduced payroll taxes. Transit tax benefits are also a valuable employee recruitment and retention tool. In addition, the use of public transportation reduces traffic congestion and harmful emissions, and transit capital investment stimulates economic development throughout the country.

Legislation introduced in the House by Rep. Peter King (R-NY), H.R. 990, shows that parity can be achieved at no additional cost to the taxpayer.

Extension of Federal Tax Credits for Alternative Fuels and Related Infrastructure

Second, we urge the members of the Community Development & Infrastructure Working Group to support making permanent the federal tax credits for alternative fuels and related infrastructure that expired on December 31, 2014. This provision was extended retroactively for 2014 in the tax extenders bill passed in December. Small, medium, and large-sized transit agencies across the country benefit from these tax credits, especially, the $0.50 per gasoline gallon equivalent (GGE) tax credit offered to transit agencies fueling their vehicles with compressed (CNG) or liquefied (LNG) natural gas. These credits provide important offsets to transit agency fuel and operating costs, thereby supporting improved transportation services, as well as aiding in job retention. Making these tax credits permanent for the transit industry will reduce harmful emissions and move our country toward long-term energy security. Transit agencies use thousands of CNG and LNG fueled vehicles to operate their systems safely and efficiently to carry millions to work, school, medical appointments and other activities.

Public transportation agencies have invested millions of dollars in environmentally-friendly natural gas vehicles and related infrastructure and others will transition to modern, greener CNG and LNG fleets if this credit can be used to offset the substantial implementation costs associated with new fueling stations, pipeline connections/extension, and building modifications. Uncertainty surrounding these tax credits has the potential to discourage future investment in CNG and LNG fleets and associated infrastructure. APTA also supports the inclusion of electric and hybrid electric vehicles within the eligible uses of this tax credit.

Municipal Bonds

Third, we urge members of the Finance Committee to fully preserve the long-established provisions of federal law that ensure interest earned on municipal bonds is exempt from federal taxation. We ask that any effort to eliminate or cap tax exemptions not include the exemption for interest on municipal bonds.

State and local governments have long relied on municipal bonds as a cost-effective way to attract private investment in public transportation projects. The interest exemption enables state and local governments to pay lower interest rates on these bonds than if they issued taxable debt. Because interest income on the bonds is tax exempt, bond investors are willing to accept a lower interest rate on municipal bonds than they might otherwise accept on a taxable investment. Eliminating or capping this tax exemption would reduce the attractiveness of municipal debt for investors, and drive up borrowing costs for those issuing municipal bonds, in the form of higher borrowing costs and reduced debt capacity. In this time of declining Highway Trust Fund (HTF) revenues, the tax exemption on interest from municipal bonds is an important form of federal support for state and local infrastructure investment that is not dependent upon the HTF.

Financial Stability for the Highway Trust Fund

Finally, we strongly urge you to address the long-term financial stability of the Highway Trust Fund, thereby averting the dramatic cuts to surface transportation programs projected for FY 2015. A predictable, long-term federal commitment to surface transportation investment is essential to the nation's economic growth and international competitiveness. At the federal level, inflation has reduced the purchasing power of the current fuel taxes, last raised in 1993, by more than 37 percent, while higher fuel economy standards and increased use of hybrid/electric are further eroding fuel tax revenues.

Sustained federal support for public transportation investment by increasing dedicated revenues to the HTF and preserving the tax exemption on municipal bonds and is an essential component of the federal government's role of fostering the efficiency and reliability of our interconnected, national transportation network.

Thank you for the opportunity to comment on these important tax issues. If you have questions, please have your staff contact Channon Hanna of APTA's Government Affairs Department at [redacted] or email [redacted].

Sincerely yours,

Michael P. Melaniphy
President & CEO