



December 8, 2017

**Dear California Congressional Members:**

As elected officials in the State of California, we write to urge you to consider and adopt the provisions of a proposal submitted by Representatives Lance and Gottheimer to improve the Tax Cuts and Jobs Act (H.R. 1).

While we are grateful that certain key priorities for cities — including the tax exemption for publicly issued municipal bonds — were protected in both versions of the bill, we remain deeply concerned that provisions found in both versions will have tremendous repercussions for cities.

**The Lance-Gottheimer proposal offers a bipartisan solution to resolve many of our concerns.**

The proposal offers a reasonable balance of pro-growth tax reforms and preservation of the existing pro-growth policies and tools, including the state and local tax (SALT) deduction and bonds. **We urge Congress to support this proposal as it would:**

- **Fully reinstate the state and local tax (SALT) deduction.** As currently prescribed in both versions of the bill, eliminating or capping the federal deductibility for state and local property, sales and income taxes would represent double taxation, as these taxes are mandatory payments for all taxpayers. More than 43 million American taxpayers in all 50 states claim this deduction, which is currently the most used deduction by the federal taxpayers. Of these claimants, nearly 87% have an adjusted gross income (AGI) under \$200,000. States and local governments deploy revenues from state and local property, sales and income taxes to help finance local law enforcement, emergency services, education costs, long term infrastructure projects, and many other services.
- **Fully protect the tax exemption on Private Activity Bonds (PABs).** Tax-exempt private activity bonds (“PABs”) represent a critical source of financing for important qualified projects and programs, including infrastructure, affordable housing, economic development, the funding and refinancing of student loans, and much more. PABs help spur private investment and allow state and local governments to harness the private sector’s experience and expertise toward public projects and initiatives, and therefore should be preserved and enhanced.

California cities cannot afford the current versions of the Tax Cuts and Jobs Act (H.R. 1) passed by both chambers. We believe that the Lance-Gottheimer proposal is a feat for bipartisanship and a major step in the right direction toward creating a simpler, fairer tax code.

If you have any questions or concerns, please contact us directly or Carolyn Coleman, Executive Director, League of California Cities at 916-658-8200 or [ccoleman@cacities.org](mailto:ccoleman@cacities.org).

Sincerely,

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Mayor, City of San Jose

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Cc:

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Paul Ryan (R-WI) Speaker of the House, U.S. House of Representatives  
Nancy Pelosi (D-CA) Democratic Leader, U.S House of Representatives  
Kamala Harris, U.S. Senator  
Dianne Feinstein, U.S. Senator  
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