

Client Alert

Finance Practice Group

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Representative Dave Camp's Proposed Draft Legislation on Tax Reform

Last week, Representative Dave Camp (R-MI), Chairman of the House Committee on Ways and Means, unveiled draft legislation on tax reform that would include a 10 percent tax on municipal bond interest for joint filers with incomes over \$450,000. The bill would eliminate all advance refundings, bank qualified bonds, and private activity bonds. It would also repeal the ability to issue any new investor credit or "direct pay" bonds. Of course, the proposal would make many other changes to the tax code in addition to the changes to the municipal bond provisions, and the chance of the bill being enacted this year has been described as "slim to none." However, these proposed changes to the treatment of municipal bonds should not be ignored. Unless objections to the bond provisions are communicated to our elected officials, they may be included in future tax reform legislation as offsets for additional spending, or as part of broader tax reform proposals.

At this time, it does not appear that Representative Camp's proposal is part of a broader Republican effort on tax reform. As reported by *Politico*, when asked by reporters if the bill could be considered the House Republicans' position on tax reform, Speaker John Boehner (R-OH) said "you're getting a little ahead of yourself."

Nonetheless, this type of proposal may cause some volatility in the market and cause some investors to consider whether they should require a higher yield to compensate for the risk that such a proposal might be adopted. If Representative Camp's proposal is formally introduced, consideration will need to be given as to whether the introduction of the bill should be specifically disclosed in official statements, along with the generic tax risk language that currently appears in most official statements to the effect that various tax proposals are made from time to time which, if adopted, could affect the yield to investors.

In the event you have any questions regarding this proposal, or any other similar questions, please give us a call.

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For more information, contact:

Floyd C. Newton III

+1 404 572 4653

fnewton@kslaw.com

Michael J. Hannigan

+1 212 556 2249

mhannigan@kslaw.com

William A. Holby

+1 404 572 4663

bholby@kslaw.com

Caroline LaFleur Loftin

+1 404 572 2744

cloftin@kslaw.com

King & Spalding

Atlanta

1180 Peachtree Street, NE

Atlanta, Georgia 30309-3521

Tel: +1 404 572 4600

Fax: +1 404 572 5100

New York

1185 Avenue of the Americas

New York, New York 10036-4003

Tel: +1 212 556 2100

Fax: +1 212 556 2222

www.kslaw.com