August 7, 2017

Internal Revenue Service
CC:PA:LPD:PR (Notice 2017-38) Room 5205
P.O. Box 7604
Ben Franklin Station
Washington, DC 20224

RE:  CC:PA:LPD:PR (Notice 2017-38)

The organizations listed above, representing state and local governments and associated organizations, appreciate the opportunity to once again comment on the proposed regulations (Proposed Regulations under Section 103 on Definition of Political Subdivision (REG-129067-15; 81 F.R. 8870) (the “Proposed Regulations”) regarding the definition of political subdivision for tax-exempt bond purposes. This letter is in response to IRS Notice 2017-38, which identifies certain regulations, including the Proposed Regulations, as imposing an undue financial burden on U.S. taxpayers or adding undue complexity to the federal tax laws. Notice 2017-38 specifically references Executive Order 13789, a directive designed to reduce tax regulatory burdens. As we stated in our original request, we remain concerned that the Proposed Regulations could hinder the ability of governmental entities to effectively, efficiently and economically serve their communities. As a result, we strongly urge that the Proposed Regulations be withdrawn.

The determination of a subdivision’s governmental purpose is made during the consideration of State legislation that authorizes the creation of the political subdivision. A political subdivision that does not serve the purpose of a particular state’s authorizing legislation is ostensibly operating beyond the law of that state, which is a matter for the state, not for the federal government.

Political subdivisions play an essential role in the public service delivery network. In that regard, special districts are created and organized to provide a specific public purpose. Together, special districts, agencies, authorities and other governmental entities in the United States provide critical infrastructure covering a vast range of purposes, such as public transportation, airports, economic development, corrections, hospitals and nursing homes, highways, housing, roads, schools, water sewer, parking and ports. To help fulfill their purposes, including maintaining the infrastructure by which they deliver their public service, they have the ability to issue tax-exempt debt, effectively reducing the cost of necessary infrastructure investment. The Proposed Regulations would undermine these objectives and impair the ability of states and localities to continue to provide significant public benefit.
Accordingly, we strongly recommend that the Proposed Regulations be withdrawn due to their undue financial burden and undue complexity to political subdivisions across the United States. We would be happy to further discuss our concerns with you at your convenience. Thank you for the opportunity to comment on the Proposed Regulations.

Sincerely,

Government Finance Officers Association, Emily Swenson Brock, 202-393-8467
National League of Cities, Brett Bolton, 202-626-3023
National Association of Counties, Jack Peterson, 202-661-8805
International City/County Management Association, Elizabeth Kellar, 202-962-3611
Large Public Power Council, Noreen Roche-Carter, 916-732-6509
American Public Power Association, John Godfrey, 202-467-2929
National Association of Bond Lawyers, William Daly, 202-503-3303
National Association of State Auditors, Comptrollers and Treasurers, Cornelia Chebinou, 202-624-5451
Council of Infrastructure Financing Authorities, Rick Farrell, 202-547-1866
International Municipal Lawyers Association, Chuck Thompson, 202-742-1016