



Minnesota Hospital Association



November 13, 2017

***Sent via electronic transmission***

The Honorable Amy Klobuchar  
Senator  
United States Senate  
302 Hart Senate Office Building  
Washington, DC 20510

The Honorable Al Franken  
Senator  
United States Senate  
309 Hart Senate Office Building  
Washington, DC 20510

The Honorable Tim Walz  
Congressman  
United States House of Representatives  
2313 Rayburn House Office Building  
Washington, DC 20515

The Honorable Jason Lewis  
Congressman  
United States House of Representatives  
418 Cannon House Office Building  
Washington, DC 20515

The Honorable Erik Paulsen  
Congressman  
United States House of Representatives  
127 Cannon House Office Building  
Washington, DC 20515

The Honorable Betty McCollum  
Congresswoman  
United States House of Representatives  
2256 Rayburn House Office Building  
Washington, DC 20515

The Honorable Keith Ellison  
Congressman  
United States House of Representatives  
2263 Rayburn House Office Building  
Washington, DC 20515

The Honorable Tom Emmer  
Congressman  
United States House of Representatives  
315 Cannon House Office Building  
Washington, DC 20515

The Honorable Collin Peterson  
Congressman  
United States House of Representatives  
2204 Rayburn House Office Building  
Washington, DC 20515

The Honorable Rick Nolan  
Congressman  
United States House of Representatives  
2366 Rayburn House Office Building  
Washington, DC 20515

Dear Honorable Members of the Minnesota Congressional Delegation:

We write today as representatives of the full nonprofit continuum of care in Minnesota to alert you to a specific provision in H.R. 1, the Tax Cuts and Jobs Act, that will negatively impact Minnesota's nation-leading, nonprofit health care continuum and unnecessarily drive up the cost of health care for consumers, employers and taxpayers. Section 3601 of the House bill as introduced would eliminate the federal tax exemption for interest earned on all private activity bonds (PABs) – including 501(c)(3) bonds and exempt facility bonds – issued after December 31, 2017. **The Minnesota Hospital Association (MHA) and LeadingAge Minnesota oppose this provision, and we ask that you consider amending the bill to exempt nonprofit health care providers, including nursing homes, hospitals and affordable housing providers, from this provision.**

As nonprofit health care providers, PABs are a valuable resource to help finance development and redevelopment of the facilities necessary to provide affordable, high-quality health care to Minnesotans. As you will see from the chart below, the majority of municipal private issuance activity in Minnesota supports hospitals, affordable housing and senior care development and redevelopment projects throughout the state. PABs provided more than \$1.8 billion in capital funding for these vital service areas on 2016.

### Minnesota Municipal Private Activity Issuance

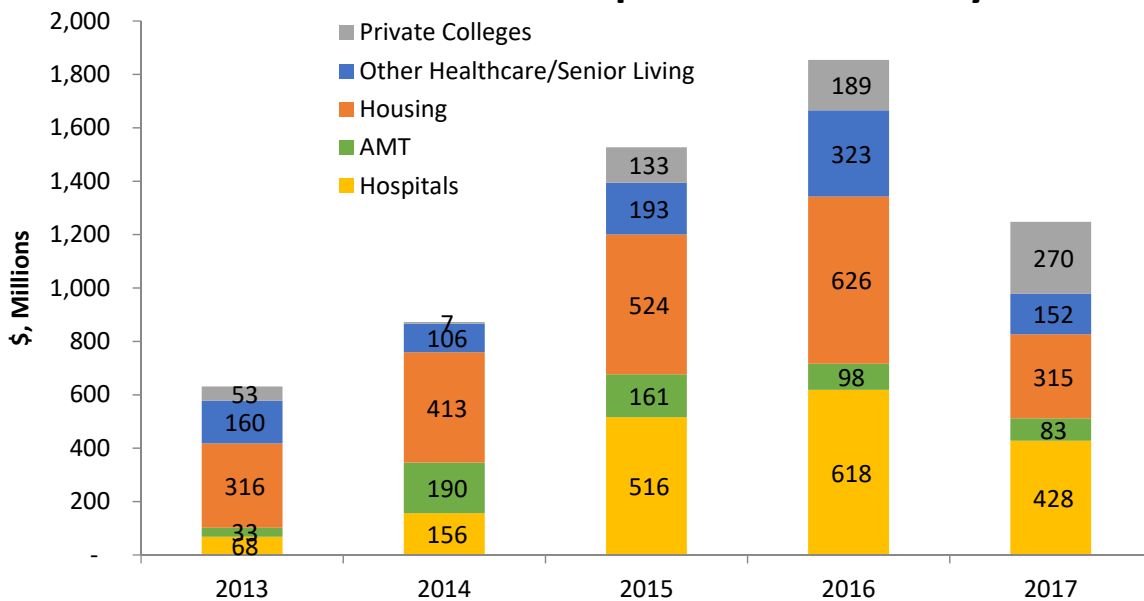


Chart provided by PiperJaffray

The impact of the House bill’s provision would mean that nonprofit borrowers, including nursing facilities, affordable housing providers, and hospitals would face significantly higher borrowing costs going forward. Interest rates for these nonprofit borrowers would increase by 1.5% to 2.5% if PABs are eliminated, and that translates to an increase of 25% to 35% in the cost of borrowing! Ultimately, those costs are shouldered by consumers, employers and taxpayers through increased health care costs.

Affordable housing will also be significantly impacted under this provision. Although the House bill preserves the Low-Income Housing Tax Credit (LIHTC), the bill repeals tax exempt private activity bonds including those used with the 4% LIHTC program. Because 4% credits must be paired with tax exempt bonds, doing away with tax exempt private activity bonds effectively ends the 4% program. The 4% portion of the LIHTC program accounts for roughly 40% of LIHTC development and is a key tool for the efficient practice of rehabbing and preserving preexisting affordable housing. At a time when Minnesotans need more affordable housing options, eliminating this important financing tool would be a step in the wrong direction.

As you consider legislation to reform our tax system, we urge you to ensure that any provision eliminating the federal tax exemption for interest earned on all private activity bonds (PABs) **exempts nonprofit nursing homes, hospitals and affordable housing providers.**

Honorable Members of the Minnesota Congressional Delegation

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As always, MHA and LeadingAge Minnesota are available to assist in any manner possible. Please do not hesitate to contact Ben Peltier, MHA Vice President of Legal and Federal Affairs, or Kari Thurlow, LeadingAge Minnesota Senior Vice President of Advocacy, for additional discussion. Ben can be reached at (651) 603-3513 or [bpeltier@mnhospitals.org](mailto:bpeltier@mnhospitals.org). Kari can be reached at [kthurlow@leadingagemn.org](mailto:kthurlow@leadingagemn.org) or (651) 603-3512.

Sincerely,



Lawrence J. Massa, M.S., FACHE  
President & CEO  
Minnesota Hospital Association



Gayle M. Kvenvold  
President and Chief Executive Officer  
LeadingAge Minnesota