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To read the policy brief, visit:

<http://www.brookings.edu/research/papers/2012/11/13-private-infrastructure-funding>.

**Brookings Calls on Congress to Boost Infrastructure Investment by
Exempting Popular Bond Program from Alternative Minimum Tax**
Brookings Policy Briefs Propose Reforms to Cut Deficit, Jumpstart Economy

WASHINGTON, D.C.— Congress should encourage infrastructure investment by passing legislation to exempt Private Activity Bonds (PABs) from the Alternative Minimum Tax (AMT), according to a policy brief released today by the Metropolitan Policy Program at Brookings.

This policy brief is part of a new government reform series entitled, [*Remaking Federalism / Renewing the Economy*](#), launched today. The series addresses both the near-term “fiscal cliff” showdown and the longer-term budgetary, economic, and political challenges that will require response in the coming months. Through this series, the Metropolitan Policy Program will encourage the Obama administration and Congress to seek solutions beyond the partisan gridlock in Washington and to empower state and metro areas through policies such as the AMT tax exemption for PABs.

PABs are issued by state and local governments for projects that benefit private entities but serve a public purpose. Currently, PABs are subject to the AMT, forcing state and local governments to pay higher interest rates on PABs to compensate investors for their tax liability. As a result, PABs may have limited appeal as a source of investment for infrastructure projects.

Exempting PABs from the AMT would reduce the cost of borrowing for local issuers and empower state and local municipalities to boost private-sector investment in those infrastructure projects with the greatest public benefit.

“The exemption will spur the development of many critical infrastructure projects nationwide at relatively low cost to the federal government,” said Robert Puentes, senior fellow and director of the Metropolitan Infrastructure Initiative at Brookings and co-author of the policy

brief. “These include sewage facilities, high-speed intercity rail, and airport projects—all of which are essential to the long-term competitiveness of our metropolitan areas.”

The policy memo further describes the current problem, outlines budget implications, and details the implementation requirements of exempting PABs from the AMT.

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