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One Financial Center
Boston, Massachusetts 02111
617 542 6000
617 542 2241 fax

701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
202 434 7300
202 434 7400 fax

666 Third Avenue
New York, New York 10017
212 935 3000
212 983 3115 fax

707 Summer Street
Stamford, Connecticut 06901
203 658 1700

U.S. Supreme Court Hears Oral Arguments in Kentucky Municipal Bond Case

The U.S. Supreme Court this morning heard oral arguments in *Kentucky v. Davis*, the case challenging the prevailing practice of states in the municipal bond marketplace of exempting holders of bonds of in-state municipal bond issuers from state income tax on the bond interest while taxing holders of out-of-state bonds on such interest. While questions at oral argument are not necessarily predictive of outcome, proponents of the constitutionality of such favorable tax treatment of in-state bonds found encouragement in the questions and comments of the Supreme Court justices for the proposition that the Court is unlikely to invalidate such state tax statutes. It remains unclear, however, whether the Court's decision, if generally favorable to existing state tax practices in this area, will draw a line that upholds such statutes for governmental bonds while requiring equal tax treatment for in-state and out-of-state private activity bonds that fund privately owned facilities. A more complete description and analysis of today's oral argument will follow later this week.

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If you wish to discuss the contents of this advisory, or for assistance

with issues raised by the legal developments that are the subject of this advisory, please contact the Mintz Levin lawyers listed below or any other member of Mintz Levin's Public Finance section.

Len Weiser-Varon

(617) 348-1758 | LWeiserVaron@mintz.com

Ann-Ellen Hornidge

(617) 348-1657 | AHornidge@mintz.com

Rich Moche

(617) 348-1696 | RMoche@mintz.com

Mike Solet

(617) 348-1739 | MSolet@mintz.com

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203 658 1701 fax

2029 Century Park East
Los Angeles, California 90067
310 586 3200
310 586 3202 fax

1400 Page Mill Road
Palo Alto, California 94304
650 251 7700
650 251 7739 fax

9255 Towne Centre Drive
San Diego, California 92121
858 320 3000
858 320 3001 fax

The Rectory
9 Ironmonger Lane
London EC2V 8EY England
+44 (0) 20 7726 4000
+44 (0) 20 7726 0055 fax