An Almost Imminent Threat to the Municipal Bond Tax-Exemption is Here: Act Now to Preserve This Vital Infrastructure Financing Tool

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- **Unique Threat Likely in 2025 Amid Political Shift and Fiscal Deterioration** – The current political and fiscal environment, characterized by the "Red Wave" and public dissatisfaction, poses a greater threat to the municipal bond tax-exemption than in past decades. The deteriorating U.S. fiscal situation, increase in national debt, and competing policy priorities further exacerbate this risk, making proactive educational and advocacy efforts more critical than ever.
- **Significant Risk of Elimination** – Without substantial and unified outreach and advocacy from public entities and market participants, there is a 50% or much greater chance that the tax-exemption will be eliminated or significantly curtailed by the end of 2025 during tax policy negotiations.
- **Crucial Infrastructure Financing Tool** – The municipal bond tax exemption is vital for states, local governments, and public entities, providing an effective and efficient means to raise capital for infrastructure projects.
- **Widening Infrastructure Gap** – Eliminating or curtailing the municipal bond tax-exemption would exacerbate the existing infrastructure gap. Public entities would face higher borrowing costs, reduced financial flexibility and independence, potentially leading to delays, underfunding, or cancellations of essential infrastructure investments. Also, the IIJA of 2021 and the IRA of 2022 did little to close the infrastructure gap.

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