

While Public Finance Sleeps

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- **Imminent Threat:** This report highlights the imminent threat to the municipal bond tax-exemption, emphasizing that all potential pay-fors are being considered, including a possible zero-sum relationship between raising the SALT cap and maintaining the tax-exemption.
- **Different Threat than in the Past:** The current political and fiscal environment, characterized by public dissatisfaction that led to the “Red Wave,” the weaker fiscal status of the U.S., and the greater potential for competing policy all pose a greater threat to the municipal bond tax-exemption than in past decades.
- **Potential Cost:** President Donald Trump’s 2025 fiscal policy priorities could cost between \$5 trillion and \$11 trillion, as estimated by the Committee for a Responsible Federal Budget.
- **Public Finance Inaction:** Despite the significant threat to the municipal bond tax-exemption, the public finance sector remains largely inactive, failing to recognize and respond to the urgency of the situation. The tax-exemption needs to be understood by D.C. lawmakers to be preserved.

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