

U.S. Municipal Bond Market

Growing Support for SALT Cap Expansion, Backing for Tax-Exemption Needed

- **Fiscal Policy Priority:** Lawmakers are convening in Mar-a-Lago to discuss key agenda items, including a potential expansion of the state and local tax (SALT) cap. This issue has garnered significant political support, with President-elect Trump endorsing it during his campaign.
- **Urgency for Public Entities and Public Officials to Advocate:** The focus on expanding the SALT cap poses a growing threat to the municipal bond tax-exemption. It is crucial for public entities to meet with lawmakers to emphasize the importance of preserving this important infrastructure financing tool. Public entity and public official advocacy is vital in ensuring that the municipal bond tax-exemption receives the necessary support to withstand the increasing threat.

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An Important Year for Fiscal Policy

The 119th Congress began its session on Friday Jan. 3, and President-elect Trump will be inaugurated on Monday Jan. 20. Newly re-elected House Speaker Mike Johnson announced over the weekend and reiterated this week that he expects the Republican agenda to pass by the month of May. Lawmakers are still uncertain about the exact form and substance, but day by day, little by little, and agenda item by agenda item, the overall shape is emerging. We could see "one big beautiful bill," or we could see two.

Lawmakers Convene to Discuss SALT Cap Expansion

Lawmakers are heading to Florida this weekend to discuss key agenda items. Unsurprisingly, reports suggest that a potential expansion of the state and local tax (SALT) cap could be in the works. This has been a politically important issue for years, and President-elect Trump announced his support for it on the campaign trail just before the election.

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The fact that lawmakers are traveling to Florida this weekend to specifically discuss a potential SALT cap increase not only poses a heightened threat to the municipal bond tax-exemption but also underscores the importance of political and public entity support. In this case, there is significant backing for expanding the SALT cap, while support for preserving the municipal bond tax-exemption appears minimal and is needed.

Appears the Municipal Bond Tax-Exemption is Not Important Enough

The limited support for maintaining the municipal bond tax-exemption we are seeing is coming from two key sources that have been advocating and educating for some time now. The Government Finance Officers Association (GFOA) is holding its winter meetings at the end of January 2025 in Washington D.C. We expect advocating and educating new and veteran lawmakers will be at the top of their agenda (again) during their visits to Capitol Hill. During their January 2024 meetings, the protection (and expansion) of

the municipal bond tax exemption was the leading bullet-point for discussion. We also expect the GFOA to intensify their outreach efforts among their [Public Finance Network](#) in coming weeks.

The [Bond Dealers of America](#) (BDA) are coordinating meetings with lawmakers on Feb. 6 and 7 as well. Such meetings have been a regular occurrence in recent years, with the importance of the municipal bond tax-exemption consistently at the top of the BDA's talking points during these Capitol Hill meetings.

If other public entity-related groups are meeting in D.C. in the coming weeks, it could be beneficial to spend time speaking to lawmakers about the importance of preserving the municipal bond tax-exemption tax expenditure. The [threat is much stronger now](#), and growing, compared to 2017.

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[Election 2024 Results Point Toward a "Red Wave," Still Appealing Municipal Yields, and Potentially a Stronger Threat to Tax-Exemption than 2017](#), Nov. 6, 2024

[As the 2024 Elections Loom, America's Infrastructure Challenges Persist & Threaten to Deepen](#), Oct. 29, 2024

[Our 2024 Election Preview: We Could See an Unprecedented Threat to U.S. Municipals from Potential Tax Policy Changes](#), Sept. 11, 2024

[PODCAST: Hot Topics in D.C. – Infrastructure, Immigration, A New Age of Warfare, & The Future of Tax Policy](#), April 22, 2024

[The Efficiency of the Municipal Bond Tax-Exemption was Called into Question and the Same Analysis Proposes to Eliminate the Tax-Exemption](#), March 26, 2024

[PODCAST: The 2024 Election Year Political Landscape and the Threat to the Tax-Exemption](#), March 4, 2024

[Save the Tax-Exemption, A Call to Action for U.S. Public Finance](#), August 17, 2023

[A New Decade & The Threat to the Municipal Bond Tax-Exemption](#), Oct. 22, 2021

[The Threat to the Tax Exemption Means Uncertainty for Municipals](#), June 4, 2019

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- [Crypto Abstinence: Safeguarding Public Entity Credit Quality, Taxpayer and Public Funds by Avoiding Digital Illusions](#), Nov. 20, 2024
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