

U.S. Municipal Bond Market

“... Outreach is Needed and Fast”

- **A 90-Day Tariff Pause:** President Trump announced a 90-day pause on reciprocal tariffs, excluding China. While equity markets are recovering, the near-term macro-economic impact remains uncertain. Municipal bond investors can benefit from attractive tax-exempt yields during this period.
- **Threat to the Tax-Exemption:** Lawmakers are progressing on a 2025 tax policy proposal. Rep. Tom Suozzi highlighted potential changes, including raising the SALT cap. Advocacy for the municipal bond tax-exemption is lagging behind support for the SALT cap.
- **Urgent Need for Advocacy:** Despite some public support for the municipal bond tax-exemption, it remains insufficient. Increased outreach, advocacy, and education are crucial to defend against imminent threats. Emily Brock, of the GFOA, emphasized the urgency of these efforts.

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90-Day Tariff Pause

First the good news. President Donald Trump announced a 90-day pause on ‘reciprocal’ tariffs with the exception of China. Equity markets are recovering, but there is a long way to go before financial markets and investors’ psyches completely recover from the shellshocked experience of the last week. The near-term macro-economic impact of the increase in uncertainty is not likely going to be positive. However, municipal bond investors can continue to take advantage of these more attractive tax-exempt yields while they remain in this elevated range.

Threat to the Tax-Exemption, Potentially Heating Up

Now the not so good news. There are signs lawmakers are making progress on what could be included in a 2025 tax policy proposal.

Increased outreach, advocacy, and education are crucial to defend against imminent threats.

Rep. Tom Suozzi, one of many supporters in favor of raising the SALT cap published a piece A Republican Tax Proposal Could Harm American Businesses in the Wall Street Journal that appeared in the print version on Monday April 7. Details of legislation have not been released publicly yet. However, he wrote, “Republicans in Congress are drafting a tax bill that raises the state and local tax deduction cap for individuals from \$10,000 to \$25,000. It’s a good start, but not good enough.”

I do not know for certain, but this is a clue that lawmakers are working diligently behind the scenes on President Trump’s “One Big Beautiful bill.” It reads as though there are already decisions being made about what is going to be included and not be included in draft legislation.

The not so good news is that support, at least public support for the municipal bond tax-exemption while it is slightly building, still remains short of the support we are seeing for raising the SALT cap. We highlighted this in January as lawmakers gathered in Florida in Growing Support for SALT Cap Expansion, Backing for Tax-Exemption Needed. We

wrote that we believe that not only is there an imminent threat to the tax-exemption, but that advocacy is falling way behind in tempo. That is a phrase, taken from chess to explain not enough support is being communicated to D.C. lawmakers in favor of the tax-exemption, we highlighted this in [Threat Now Imminent, Advocacy for Infrastructure Financing Tool Falling Way Behind in Tempo](#).

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We reiterated the imminent threat, emphasizing that all potential pay-fors were being considered, and we highlighted that we thought a possible zero-sum relationship between raising the SALT cap and maintaining the tax-exemption existed. We wrote about these revelations in [While Public Finance Sleeps](#), where we also highlighted public finance inaction we observed.

Some public finance and public entities may be trying to convince themselves that the bi-partisan Dear Colleague letter written by Representative Don Bacon in support of the municipal bond tax-exemption is good news. See [25 House Reps sign muni bond letter](#), in The Bond Buyer for more details.

My take on the letter is not only unenthusiastic, but I believe that considering the circumstances, the existence or need for this letter could mean that there is an imminent attack on the tax-exemption that requires a defense. Emily Brock, of the Government Finance Officers Association in the Bond Buyer article noted, "In just four days, the muni market and Representative Bacon's staff pulled off the incredible feat of gathering 25 bipartisan signatures."

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These circumstances suggest that we may soon learn more about the next phase of the municipal bond tax-exemption threat. More importantly, there is a pressing need for increased outreach, advocacy, and education. As Emily aptly stated, "and fast."

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- [Liberation Day Impact: Top Municipal Opportunity Since 2023 Amid Macro, Tariff Uncertainty](#), April 8, 2025
- [The Greatest Tax-Exemption Threat Remains Imminent, Timing Uncertain](#), April 1, 2025
- [Improvement in America's Infrastructure Endangered by the Threat to the Tax-Exemption](#), March 25, 2025
- [Navigating the Trump Trade War: Strategies for Municipal Investors Amid Macroeconomic Uncertainty](#), March 17, 2025
- [While Public Finance Sleeps](#), Feb. 12, 2025

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