

Congress Proposes to Eliminate Tax Exemption on Municipal Bonds

Last month, a 50+ page document of programs, policies and plans compiled by House Republican Budget Committee Chair Jody Arrington, R-Texas, was circulated detailing tax policy options. The document is targeting a budget reconciliation bill to pay for an extension of the tax cuts provided by the 2017 Tax Cuts and Jobs Act, with many of those provisions sets to expire at the end of the year. The document notably includes the total elimination of the state and local tax-exemption on municipal bonds. This proposal is said to save the Federal government \$250 billion over 10 years, although the accuracy of this estimate is unknown and only accounts for outstanding bonds, not bonds issued in the future, meaning the proposal assumes existing bonds would lose their tax-exempt status. GFOA has sent letters to both houses of Congress advocating against this approach. "Elimination of the tax-exemption would correspondingly raise borrowing costs \$823.92 billion, a cost that would be passed onto American residents and amount to a \$6,554.67 tax and rate increase for each American household over the next decade," GFOA wrote in the letter. Moves to eliminate or limit the tax exempt status of municipal bonds have been discussed in the past and yet the exemption remains. Whether the new administration will aggressively pursue this option remains to be seen but this current threat to tax exemption may be the most worrisome of all such efforts, to date.

RECENT CMA CLIENT SALE RESULTS

<u>Issuer</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Brewster CSD (Aa2)	BAN	\$34,000,000	30 – Jan.	1 yr.	2.77%	TD Securities
Tarrytown Village (Aa2)	Bonds	4,220,000	30 – Jan.	16 yrs.	3.24%	Brownstone Investment
Garden City Village (Aaa)	Bonds	\$34,435,000	29 – Jan.	25 yrs.	3.70%	BofA Securities
Garden City Village (Aaa)	BAN	\$6,000,000	29 – Jan.	1 yr.	2.83%	Jefferies LLC
Islip Town (Aaa)	BAN (Txb)	\$180,000	29 – Jan.	1 yr.	5.43%	Roosevelt & Cross, Inc.
Hingham Town (Aaa)	Bonds	\$68,320,000	28 – Jan.	29 yrs.	3.84%	Mesirow Financial, Inc.
Hingham Town (Aaa)	BAN	\$37,661,683	28 – Jan.	1 yr.	2.76%	JP Morgan Securities LLC
West Seneca Town (A1)	BAN	\$22,899,000	28 – Jan.	1 yr.	3.25%	Oppenheimer & Co.
Lloyd Town (n/a)	BAN	\$2,800,000	23 – Jan.	1 yr.	3.59%	Oppenheimer & Co.
Haverstraw Village (Aa3)	BAN (Txb)	\$500,000	22 – Jan.	7 mos.	5.15%	Roosevelt & Cross, Inc.
West Haverstraw Village (Aa3)	BAN	\$576,250	7 – Jan.	1 yr.	3.74%	Roosevelt & Cross, Inc.

GENERAL OBLIGATION INTEREST RATES

<u>Term</u>	<u>February 3, 2025</u>					<u>1 Month Ago - January 2, 2025</u>					<u>1 Year Ago - February 1, 2024</u>				
	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>	<u>Aaa</u>	<u>Aa</u>	<u>Insured</u>	<u>A</u>	<u>Baa</u>
1 yr.	2.65%	2.68%	2.76%	2.74%	3.12%	2.83%	2.86%	2.94%	2.92%	3.30%	2.84%	2.85%	2.93%	2.91%	3.30%
5	2.77	2.81	2.93	2.97	3.36	2.86	2.90	3.02	3.06	3.45	2.26	2.28	2.40	2.41	2.84
10	2.97	3.08	3.22	3.32	3.80	3.06	3.17	3.31	3.41	3.89	2.28	2.35	2.53	2.59	3.11
15	3.30	3.49	3.63	3.72	4.16	3.32	3.51	3.65	3.74	4.18	2.82	2.97	3.15	3.20	3.69
20	3.76	3.97	4.12	4.20	4.64	3.66	3.87	4.02	4.10	4.54	3.10	3.27	3.46	3.50	4.00