
Trump Tax Reform Unlikely to Impact Municipal Bonds, BofA Says.

- **‘Price independently of the top federal income tax rates’**
- **Political turmoil in administration may derail tax reform**

Tax reform will have little impact on the value of municipal bonds, according to Bank of America Merrill Lynch strategists Philip Fischer and Celena Chan.

Looming tax reform has some investors worried that slashing the nation’s top individual tax rates may send demand for the securities tumbling. Municipal bonds are often purchased by wealthy investors seeking to lessen their tax burdens.

The trend has reversed recently as political turmoil has derailed President Trump’s legislative agenda, including tax reform. Yields on state and local bonds hit a 2017 low last week.

An analysis shows that municipal bonds “price independently of the top federal income tax rates and have done so for decades.” The strategists said the reason for this is that state and local bonds are not well connected to other capital markets.

Corporate tax reform may happen by year-end, according to the analysts, but it’s unlikely “P&C and bank taxes will fall sufficiently to distort muni pricing and flows.”

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