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Tax Headaches? A Dose of Muni Bonds Might Help.

The new tax law has been a boon for muni bonds.

Wholesale changes in the tax code that went into effect in 2018 contained two provisions that have fueled the municipal bond market.

Many households completing their 2018 return became aware of a central change: A household's federal deduction for state and local taxes (SALT) payments is now limited to \$10,000 a year. That has its biggest impact in high-tax states like California, New York, New Jersey and Connecticut, where demand for muni bonds has risen.

The tax law also cut back on the supply of muni bonds by eliminating a category known as "advanced refunding issues," which accounted for around one-fifth of muni bond issues annually.

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By Carla Fried

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