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Economist at Top Muni Bank Pitches End of Local Bond Tax Break.

In March, a conservative think tank floated repealing the tax break that state and local governments use to induce investment in their debt, a move that would wreak havoc on the \$4 trillion municipal-bond market.

The report by the American Enterprise Institute had a surprising co-author: Donald Schneider, deputy head of US policy at Piper Sandler Cos., one of the top investment banks for municipalities in the US.

“The current exemption for municipal bonds provides an inefficient subsidy for state and local government infrastructure projects,” according to the [report](#) by Schneider and Kyle Pomerleau, who is a senior fellow at the American Enterprise Institute.

Repealing the tax-exemption was cited as a way to help make former President Donald Trump’s 2017 tax cuts permanent. Any call to eliminate the tax break is seen as a major threat within the muni market, where governments finance key infrastructure projects like airports and transit.

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Bloomberg Markets

By Amanda Albright and Skylar Woodhouse

April 4, 2024