
Paying for Trump's Tax Cut With Bigger Potholes.

Scrapping an exemption for municipal bonds to fund the president's agenda would amount to an effective increase in local levies for many.

Much of politics boils down to a fight over who pays for what. One live, if under the radar, debate about the looming Republican tax bill and municipal bonds certainly fits that description. But it also goes way beyond, encompassing the physical fabric of daily life and the financial fabric of local democracy.

Muni bonds, a $4.1 trillion market, are the lifeblood of state and local spending, as well as quasi-public entities such as non-profit hospitals and charter schools. Interest paid on these bonds has been tax exempt forever — as have attempts to overturn that. Now a combination of the explosion in federal debt since 2008 plus Republicans' search for offsets to extend the 2017 tax cuts present a potentially powerful catalyst.

A leaked GOP menu of potential tax-cut 'pay-fors' projected that ending the muni exemption would save $250 billion over 10 years. Stephen Moore, an economic whisperer to President Donald Trump, recently re-floated the idea of closing this "loophole." Meanwhile, Scott Greenberg, tax counsel to the House Ways and Means Committee, is a former think-tanker who happened to write a prominent anti-muni-exemption paper in 2016. "The threat is real," says Matt Fabian, partner at Municipal Market Analytics Inc., a research firm.

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