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Republican U.S. Tax Bill Retains Some Municipal Exemptions.

SAN FRANCISCO (Reuters) – The final Republican tax bill released on Friday keeps a tax break for municipal bonds used to finance hospitals, affordable housing and other projects but eliminates a way issuers can take advantage of low interest rates.

The final draft of the bill preserves tax-free private activity bonds and tax-exempt stadium bonds, according to the Government Finance Officers Association.

Friday's bill would end advance refunding bonds in the $3.8 trillion municipal bond market. States, cities, schools and most issuers use these to refund existing debt on a tax-free basis beyond 90 days of its call date. Current refundings, which are done within the 90 days, would continue to be tax-exempt.

The National Association of Bond Lawyers said it was pleased that private activity bonds were preserved in the final bill. "However, the immediate loss of advance refundings is a disappointment," President Sandy MacLennan said in a statement.

Provisions in the House and Senate tax bills that sought to end certain municipal issuance in order to raise money for the U.S. government sparked a torrent of issuance starting in late November.

This week, the municipal bond market supply topped $20 billion for a second straight week as issuers scrambled to sell debt ahead of potential federal tax changes. An estimated $22.88 billion was expected to be sold, more than three times the average weekly muni issuance between 1990 and the end of November.

by Robin Respaut

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