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Banks Reduce Municipal-Bond Holdings for First Time Since 2009.

- **Lenders cut their stakes by $15.8 billion during first quarter**
- **Lower tax rates have lessened the appeal of state, local debt**

U.S. banks reduced their holdings of state and local government bonds for the first time since 2009 after the federal government slashed corporate tax rates, making the securities less valuable to one of the market's key buyers.

Figures released by the Federal Reserve Thursday show that the lenders' holdings of municipal debt dropped by $15.8 billion during the first three months of the year to $554.4 billion. The reduction marks a pullback from buyers that had been steadily expanding their ownership of state and local government securities since the end of the recession, helping bolster demand.

The data confirm the widespread view among Wall Street analysts that tax-exempt debt would be less alluring to banks after the corporate tax rate was dropped this year to 21 percent from 35 percent. Bank of America Corp., Citigroup Inc., JPMorgan Chase & Co. and Wells Fargo & Co. were among those who pared their holdings, according to quarterly filings with the U.S. Securities and Exchange Commission.

The lower tax rate appears to have had less of an impact on insurance companies. The Fed reported that property and casualty insurers' holdings held steady at $327 billion, despite cutbacks that were previously disclosed by some of the biggest companies.

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