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Even SALT-Pinched Minnesotans Flocking to ‘Last Great Tax Haven’

- **Minnesota has 4th-highest state income tax rate in the U.S.**
- **Municipal bonds seen as way to reduce federal tax liability**

It's not only residents of high-cost coastal states that are plowing into municipal bonds as a haven from the new deduction limits. It's happening in Minnesota, too.

Pinched by the new cap on state and local tax deductions, Minnesota residents are buying up municipal debt to reduce their tax burden because the securities pay interest that's exempt from federal and state taxes. New York and California investors have gotten plenty of attention for helping drive a \$20 billion influx of cash into municipal mutual funds in 2019. But there's also more interest in the asset class by investors living in smaller high-tax states, asset managers say.

Minnesota had the fourth-highest top state income-tax rate in the country last year at 9.85 percent, according to TurboTax. That's driven more interest in Eaton Vance's \$135 million Minnesota Municipal Income Fund, said Craig Brandon, co-director of state and local government bond investments at Eaton Vance Management. Of the company's 17 state-specific municipal mutual funds, 16 have seen positive net inflows in 2019.

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