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SALT-Fueled Rally in Muni Market Faces Tax-Day Test.

- **Muni mutual funds have drawn most cash since records began**
- **But analysts wonder if it's based on reality or perception**

The rally in the \$3.8 trillion municipal-bond market is about to face a major tax-season test.

All year, analysts have credited the \$10,000 cap on state and local tax deductions for driving a record-setting amount of cash into tax-exempt debt as investors look for ways to cut what they owe to the federal government. The wave of money helped propel a five-month rally that's pushed yields on some municipal bonds to the lowest against Treasuries since at least 2001.

But it's still not clear whether that influx was driven by investors who were sure to face higher tax bills — or those who just feared they would. Analysts are now watching to see if there's a pullback after the last tax returns are due on April 15 should the hit be smaller than expected. And there's also the chance some who are paying more this year will sell bonds to raise cash for their tax bills.

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