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A Rise in the Taxable Municipal Debt Issuances.

For some investors, the sole purpose of investing in municipal debt is to take advantage of the tax-free income, diversified portfolio and limited risk exposure that is often higher in the world of corporate debt than municipal debt.

These ideas and advantages of municipal debt may not be wide-spread or applicable to every investor equally – for example, the tax-free benefit can vary from investor to investor depending on their income tax brackets, and for some investors taxable investment instruments may present more of a lucrative option than municipal debt.

Furthermore, when municipalities issue taxable debt, it's either for a purpose/project that may not allow them to issue tax-free debt to raise capital. Taxable municipal debt issuance makes sense, at a given particular time, after gauging an investor's interest and appetite. Historically, taxable municipal debt issuance has been close to 10% of the entire tax-exempt municipal debt. For instance, in 2018, the taxable debt issuance was $25.1 billion dollars, whereas the tax-exempt debt was roughly $278.1 billion. However, 2019 was record-breaking for taxable municipal debt issuance.

In this article, we will take a closer look at the world of taxable municipal debt and how it fits into your portfolio.

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