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Most Investors Don’t Need to Worry About the Alternative Minimum Tax Hitting Their Muni Bond Holdings These Days. Here’s Why.

KEY POINTS

- Muni bonds are appealing in part because the interest they pay is typically free from federal taxation.
- However, some of them — private-activity bonds — are generally taxed under the alternative minimum tax calculation.
- Some muni bond funds are explicitly “AMT-free” so investors know their holdings won’t generate income that’s subject to the AMT.
- While 5 million people were subject to that taxation pre-2018, the share is now minimal due to tax-law changes in effect through 2025.

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