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## [Why Muni Bond ETFs Make Sense in 2025.](#)

The Internal Revenue Service has announced new tax brackets for 2025. This makes now an ideal time to revisit the benefits of muni bond ETFs.

The IRS on Tuesday announced it raised the income thresholds for each bracket, which applies to returns filed in 2026 for tax year 2025. Additionally, the IRS increased figures for other provisions including long-term capital gains brackets and eligibility for the earned income tax credit.

Investors in high tax brackets are positioned to benefit most from the tax advantages of muni bond ETFs. However, investors in lower tax brackets may also benefit from an allocation to muni bonds. The primary reason that people invest in munis is for tax-free income.

As their name suggests, muni bonds are issued by municipalities. Their interest payments are generally exempt from federal taxes and potentially state and local income taxes too.

It's important to note that muni bonds generally come with a low risk of default. Additionally, they tend to have less volatility than corporate bonds, which may be considered riskier.

### **Muni Bond ETFs**

The five largest muni bond ETFs, as measured by assets under management, include the \$39.2 billion iShares National Muni Bond ETF (MUB), the \$34.9 billion Vanguard Tax-Exempt Bond ETF (VTEB), the \$8.7 billion iShares Short-Term National Muni Bond ETF (SUB), the \$3.7 billion SPDR Nuveen Bloomberg Short Term Municipal Bond ETF (SHM), and the \$3.6 billion SPDR Nuveen Bloomberg Municipal Bond ETF (TFI).

Muni bond ETFs have seen strong flows in 2024. VTEB and MUB have taken in \$3.2 billion and \$2.3 billion, respectively, in net flows in 2024 through Oct. 22. VTEB and MUB's success in garnering significant investor assets may be due to the fact that the funds are the cheapest offerings in the category. Each fund charges just 5 basis points.

In comparison, SUB charges 7 basis points, SHM charges 20, and TFI charges 23.

For more news, information, and analysis, visit [VettaFi | ETF Trends](#).

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