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Election Impact: Will Municipal Bonds Lose Their Tax-Exempt Status?

U.S. election cycles are often fraught with volatility and big changes. Nearly every sector and industry is affected in one way or another. Under that framework, investors are forced to grapple with the potential of policy changes, and what they may mean for their portfolio. And for one area of the fixed-income market, the changes could be big.

One clear advantage of municipal bonds could be on the chopping block.

As the incoming Trump administration looks to raise revenues to offset other ambitious tax plans, municipal bonds' key tax-exempt status could change, which warrants caution from investors.

TCJA Expansion & Potential Deficits

The 2017 Tax Cuts and Jobs Act (TCJA) was the largest tax code overhaul in over three decades and created massive changes for individual and business taxpayers.

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