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Trump Adviser Calls to End Muni Tax Break in Threat to Market.

Stephen Moore, an informal economic adviser to President Donald Trump, floated eliminating the federal tax subsidy for municipal bonds, a concerning sign for the market where states and cities raise debt.

Local governments, as well as bankers and investors, have been worried that the key feature of the public finance market could be at risk as Republicans search for ways to raise money to extend 2017 tax cuts. Muni bonds pay interest that's exempt from federal taxes, costing the government roughly $40 billion each year. The subsidy is one of the top federal tax expenditures, according to the Bipartisan Policy Center.

"It's in play," Moore said in an interview. "This is a big tax bill, and there need to be offsets."

He said eliminating the subsidy aligns with Republican efforts to "broaden" the tax base and is more "politically plausible" than in prior years because it would directly impact wealthy investors.

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Bloomberg Markets

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March 21, 2025

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