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Tax-Exemption on Muni Bonds ‘Untouched’ in House Tax-Cut Plan.

Public finance lobbyists and bankers breathed a sigh of relief as the key federal subsidy underpinning municipal bonds appeared unscathed in a bill House tax writers released Monday.

The tax package released by the House Ways and Means Committee doesn't include material changes to tax-exempt municipal bond financing. Most muni bonds pay interest that's exempt from federal tax. Bankers and borrowers have warned for months that the tax break was at risk as lawmakers look for ways to raise revenue to offset the cost of extending President Donald Trump's 2017 tax cuts.

"We are thrilled the House Committee on Ways and Means recognizes the importance of the tax-exemption and left the critical infrastructure financing tool untouched in its initial tax draft," Brett Bolton, a spokesperson for the Bond Dealers of America, which represents securities dealers and banks, said in an emailed statement.

Still, he added that lawmakers have "plenty of sticky and expensive issues to work through in the coming weeks, so now is not the time to take the foot off the gas."

The industry has been lobbying for months to safeguard the exemption. They have been spooked since the start of the year when a menu of potential spending cuts listed ending the tax-exempt status on municipal bonds as one of the options to raise revenue.

Plus, at least one adviser to Trump has spoken out against the exemption while the president himself has threatened to strip Harvard University's tax-exempt status.

"It appears the exemption lives to fight another day and most likely make it to another election season where we may go through this exercise I fear, once again," said Eric Kazatsky, municipal strategist for Bloomberg Intelligence.

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