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The Neverending Impulse to End Muni Bonds’ Tax Exemption.

It survived last year’s congressional tax and spending debate, but efforts to repeal it are likely to come up again. Before that happens, it’s important for governments to quantify what the tax break for investors is worth to them.

Ask a room of finance officers what the federal tax exemption on investors’ municipal bond earnings is worth to their state or local government and you will get a version of the same answer: a lot. Ask what it is exactly worth in dollars, on their last issuance and over the life of that debt, and the room will probably go quiet.

That gap is easy to live with right now because the immediate congressional pressure to repeal the exemption has eased. The people who lobby hardest to protect it say the threat is cooler today than at any point in two years. But the exemption is never permanently safe, and the best time to understand what it is worth to a government is before the next fight, not during it.

Here is how the last fight went. In early 2025, a leaked House Ways and Means Committee list of revenue options included repealing the exemption, scored at roughly $250 billion in increased federal revenue over 10 years. A coalition led by the Government Finance Officers Association (GFOA), the National League of Cities, the National Association of Counties and the U.S. Conference of Mayors mounted a monthslong campaign, and when the One Big Beautiful Bill Act (OBBBA) was signed in July 2025 the exemption was left fully intact, for both governmental-purpose and private activity bonds.

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