Tax Considerations for Muni Investors

Tax Component	Harris Plan	Muni Market Impact	Trump Plan	Muni Market Impact
Personal Income Taxes	Increase the top rate from 37% to 39.6% for incomes more than $400,000 and retain existing rates for incomes less than $400,000.	**Positive** Higher marginal tax rates would increase the value and potentially the demand for tax-exempt municipal bonds.	Make 2017 TCJA tax cuts permanent; consider replacing personal income taxes with increased tariffs.	**Neutral to Negative** It would maintain the status quo; replacing or partially replacing personal income taxes with tariffs would reduce the value of municipal bonds' tax exemption.
State and Local Tax (SALT)	Democrats would likely repeal the $10,000 cap on SALT deductions via the expiration of TCJA.	**Negative** A higher or no limit on SALT deductions could reduce the demand for municipal bonds as a tax shelter for individuals with large state tax liabilities.	Make 2017 TCJA SALT deductibility limits permanent or reduce them to zero. Opposed to raising the limit.	**Neutral to Positive** Lowering or eliminating SALT deductions could increase the demand for municipal bonds as a tax shelter for individuals with large state tax liabilities.
Alternative Minimum Tax, or AMT (Personal)	To be determined – the revenue enhancement provided by pre-TJCA phaseout limits may be needed.	**Neutral to Negative** If AMT phaseouts return to pre-TCJA limits, more taxpayers would be subject to the tax, possibly reducing the demand for AMT bonds.	Make 2017 TCJA AMT phaseouts permanent.	**Neutral to Positive** If the TCJA AMT phaseouts become permanent, fewer taxpayers subject to AMT could increase demand and tighten AMT spreads.
Long-Term Capital Gains	Increase the top rate to 28% for those earning more than $1 million. The rate could be as high as 33%, including the proposed increase from 3.8% to 5% in the net investment income tax (NIIT).	**Positive** General tax aversion could put tax-exempt income in focus. Higher capital gains tax could reduce asset rotation/allocation decisions.	Make the 2017 TCJA capital gains structure, including a top rate of 20%, permanent. The rate would top out at 23.8%, including the existing 3.8% NIIT.	**Neutral** Confirms the status quo on existing capital gains structure.
Corporate Tax	Increase from the current 21% to 28%.	**Positive** Higher corporate tax rates could increase the demand for tax-exempt income from banks and insurance companies.	Reduce to 15% for companies that make products in the U.S. and 20% for others.	**Negative** A lower corporate tax rate could reduce the demand for tax-exempt income.

Policies outlined as of 10/4/2024. The NIIT applies to certain net investment income of individuals, estates and trusts with incomes above the statutory threshold amounts. Sources: American Century Investments; Erica York and Alex Durante, et al., "Options for Navigating the 2025 Tax Cuts and Jobs Act Expirations," Tax Foundation, May 7, 2024; Harris Walz Campaign Website, "Issues"; and Trump Vance Campaign Website, "Agenda 47." The following terms are defined in our glossary: Alternative minimum tax (AMT) and taxable municipal securities.