



**Keynote Address**  
**National Association of Municipal Advisors**  
**2017 Annual Conference**  
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## **HIGHLIGHTS OF THE UNIFIED TAX REFORM FRAMEWORK**

### **Lowers Rates for Individuals and Families**

The framework shrinks the current seven tax brackets into three – 12%, 25% and 35% – with the potential for an additional top rate for the highest-income taxpayers to ensure that the wealthy do not contribute a lower share of taxes paid than they do today.

### **Doubles the Standard Deduction and Enhances the Child Tax Credit**

The framework roughly doubles the standard deduction so that typical middle-class families will keep more of their paycheck. It also significantly increases the Child Tax Credit.

### **Eliminates Loopholes for the Wealthy, Protects**

Bedrock Provisions for Middle Class

To provide simplicity and fairness the framework eliminates many itemized deductions that are primarily used by the wealthy, but retains tax incentives for home mortgage interest and charitable contributions, as well as tax incentives for work, higher education, and retirement security.

### **Repeals the Death Tax and Alternative Minimum Tax (AMT)**

The framework repeals the unfair Death Tax and substantially simplifies the tax code by repealing the existing individual AMT, which requires taxpayers to do their taxes twice.

### **Creates a New Lower Tax Rate and Structure for Small Businesses**

The framework limits the maximum tax rate for small and family-owned businesses to 25% - significantly lower than the top rate that these businesses pay today.

### **To Create Jobs and Promote Competitiveness, Lowers the Corporate Tax Rate**

So that America can compete on level playing field, the framework reduces the corporate tax rate to 20% – below the 22.5% average of the industrialized world.

### **To Boost the Economy, Allows “Expensing” of Capital Investments**

The framework allows, for at least five years, businesses to immediately write off (or “expense”) the cost of new investments, giving a much-needed lift to the economy.

### **Moves to an American Model for Competitiveness**

The framework ends the perverse incentive to offshore jobs and keep foreign profits overseas. It levels the playing field for American companies and workers.

### **Brings Profits Back Home**

The framework brings home profits by imposing a one-time, low tax rate on wealth that has already accumulated overseas so there is no tax incentive to keeping the money offshore.

# Muni Market Factors

## Living in the Best of All Possible Municipal Worlds

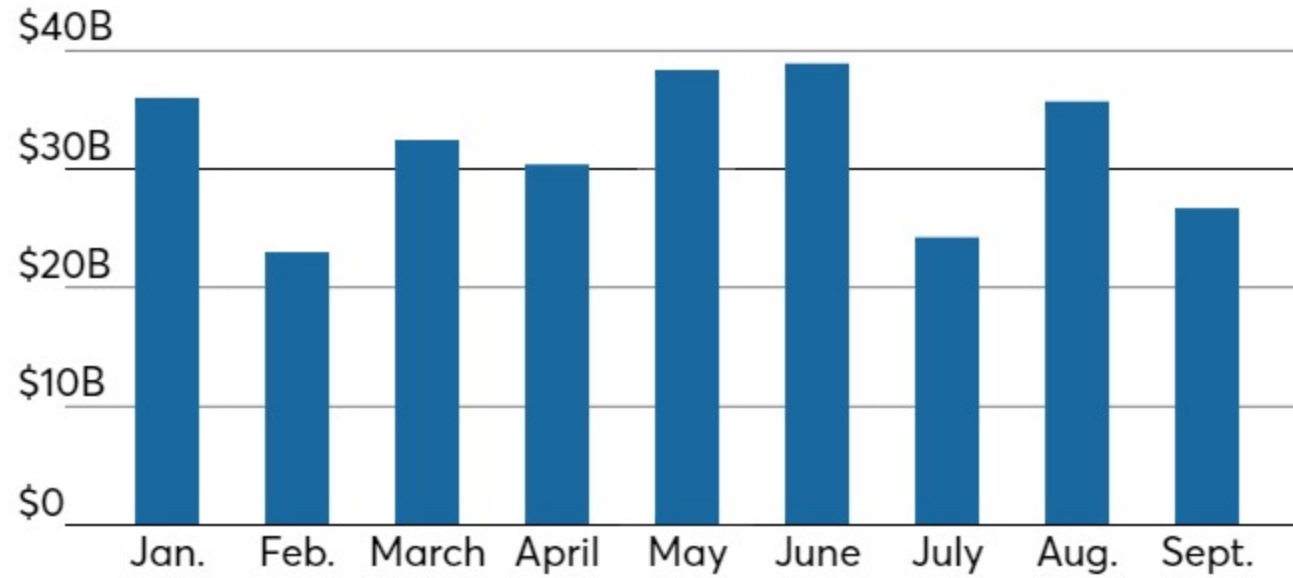
- The Fed: selling the portfolio may be more of a factor than rate hikes on their own.
- Supply: Clearly down and lighter on certain weeks. Factors include uncertainty about federal policy and no rapid change in rates. When to sell?
- Fiscal Policy: We could speculate and will speculate but we truly do not know.
- Tax Exemption: Likely to be on the table.
- Complying with greater disclosure requirements. How to keep releases timely.

# Muni Market Factors

- Turnover in personnel in the industry. Happening in waves. Boomers retiring. How can we keep the industry attractive to young candidates. Working with Millennials: The special considerations. Attention span challenges are plentiful in the workplace today for all of us.
- The challenge of working in Media and News today. How it is different from being directly in the municipal industry. Why there is nothing fake about it if the individual is taking the assignments seriously.
- Natural Disasters are poised to deliver \$100 B of losses to P&C Insurers
- HQLA, LIBOR replacement, Floaters, and Swaps.
- Ratings trends. Do they matter?
- Saving basis points: Is it as important as it is in a high rate environment?
- How we can work together to build a better Municipal Market future.

## Missing mega months

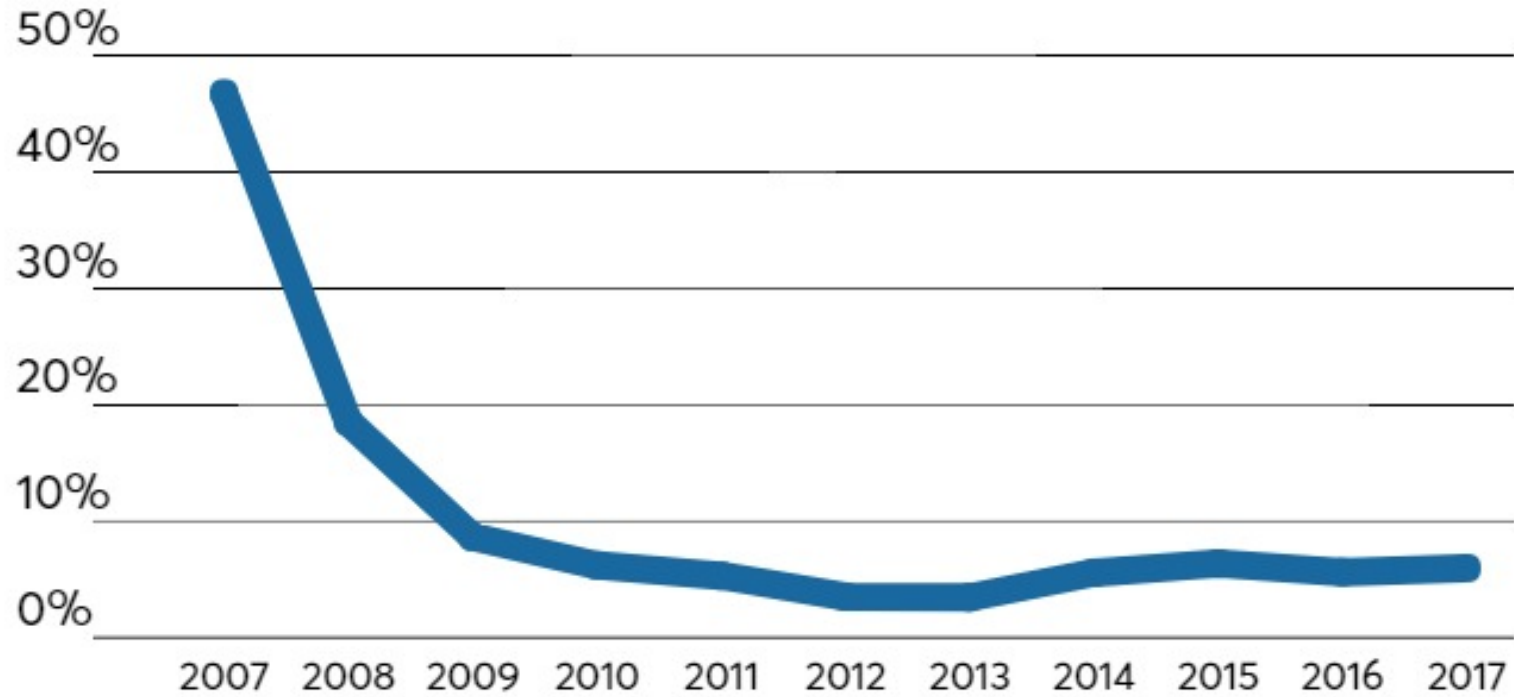
2017 long-term municipal bond volume



Source: Thomson Reuters

# Bond insurance penetration rates

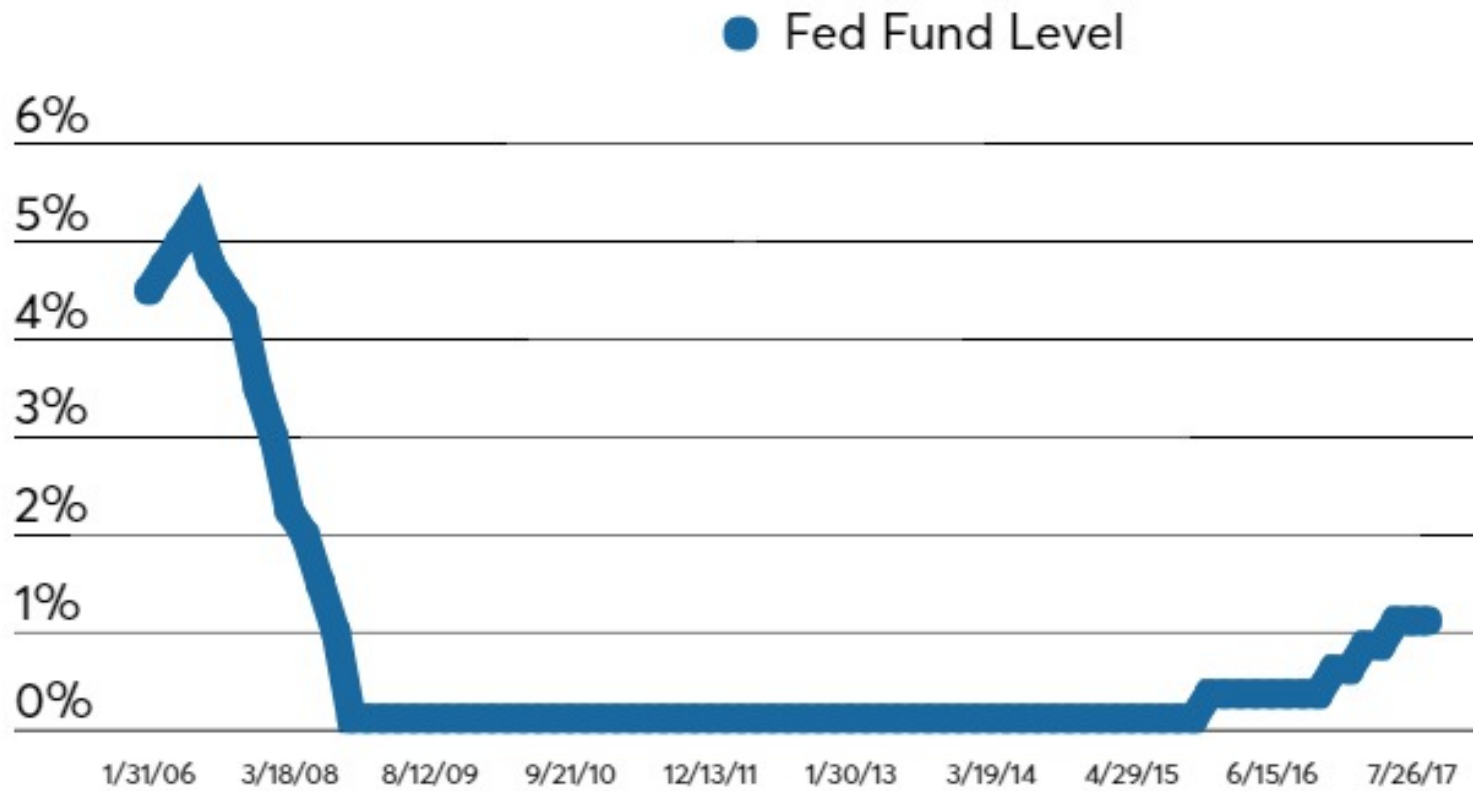
Percentage of long-term muni bond issuance carrying insurance



Source: The Bond Buyer

# One step at a time

Interest rates

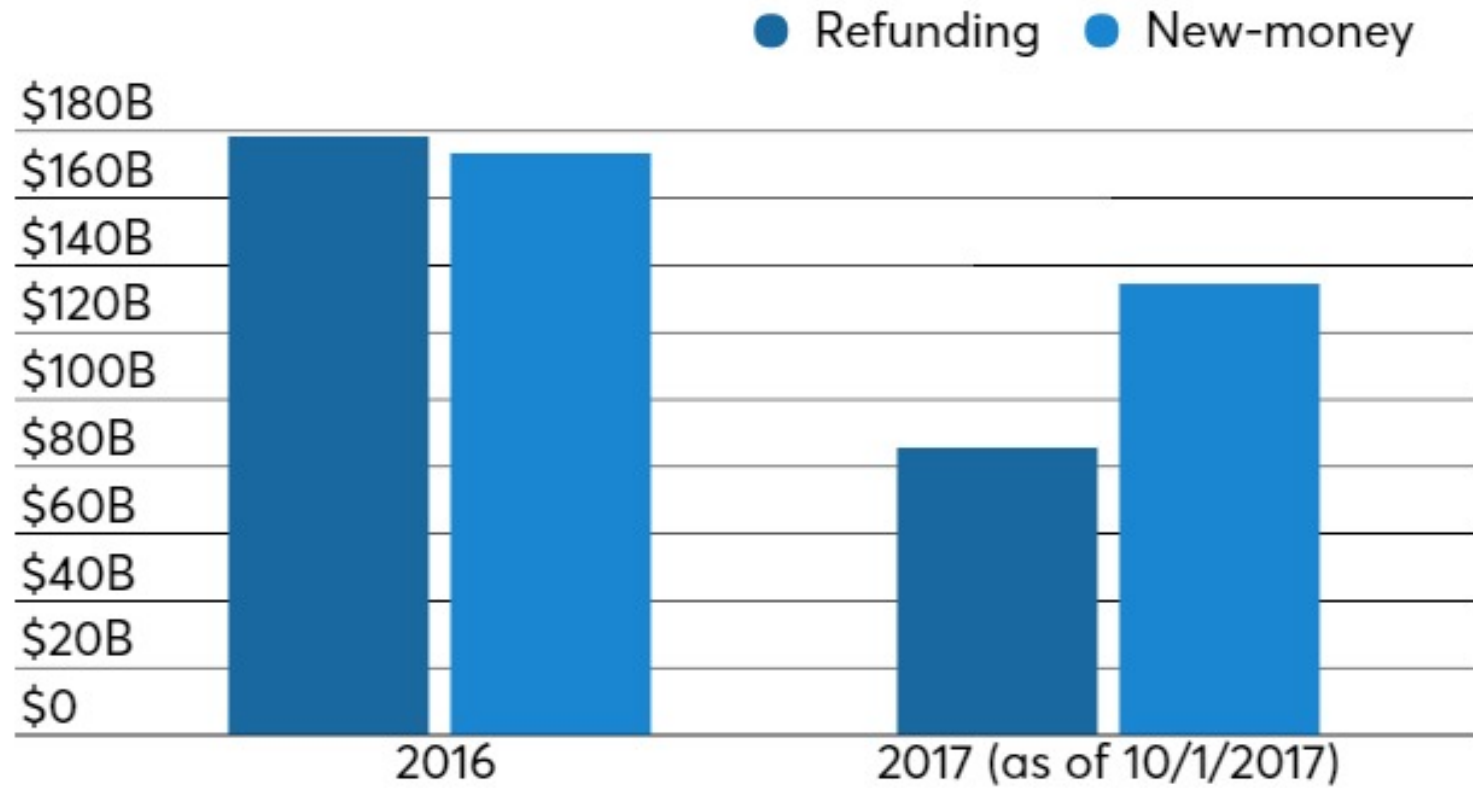


Source: Board of Governors of the Federal Reserve System



# Refunding drop-off

Long-term municipal bond volume breakdown

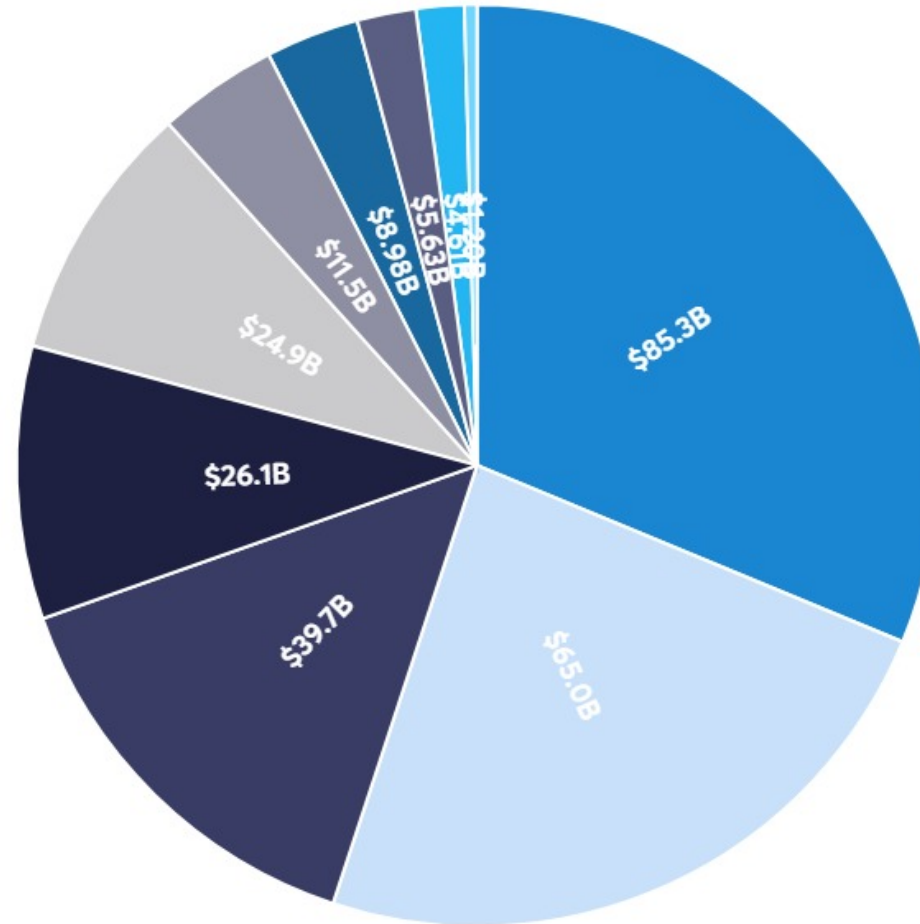


Source: Thomson Reuters

## Top of the class

Long-term municipal bond volume sector breakdown

- Development, \$8.98B
- Education, \$85.3B
- Electric power, \$4.61B
- Environmental facilities, \$1.20B
- General purpose, \$65.0B
- Healthcare, \$24.9B
- Housing, \$11.5B
- Public facilities, \$5.63B
- Transportation, \$39.7B
- Utilities, \$26.1B

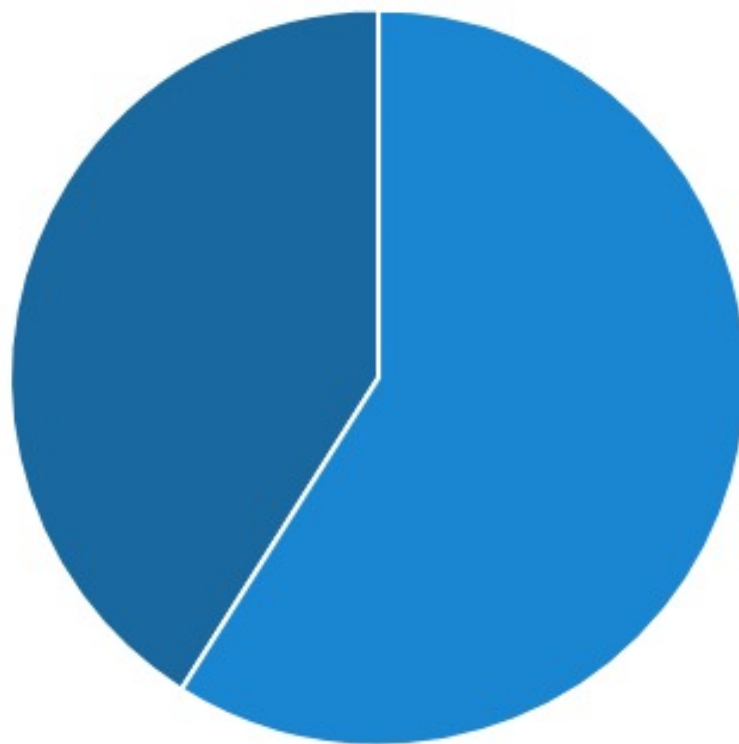


Source: Thomson Reuters

## Out with the old, in with the new

Long-term municipal bond volume security breakdown

- GO, \$112B
- Revenue, \$161B

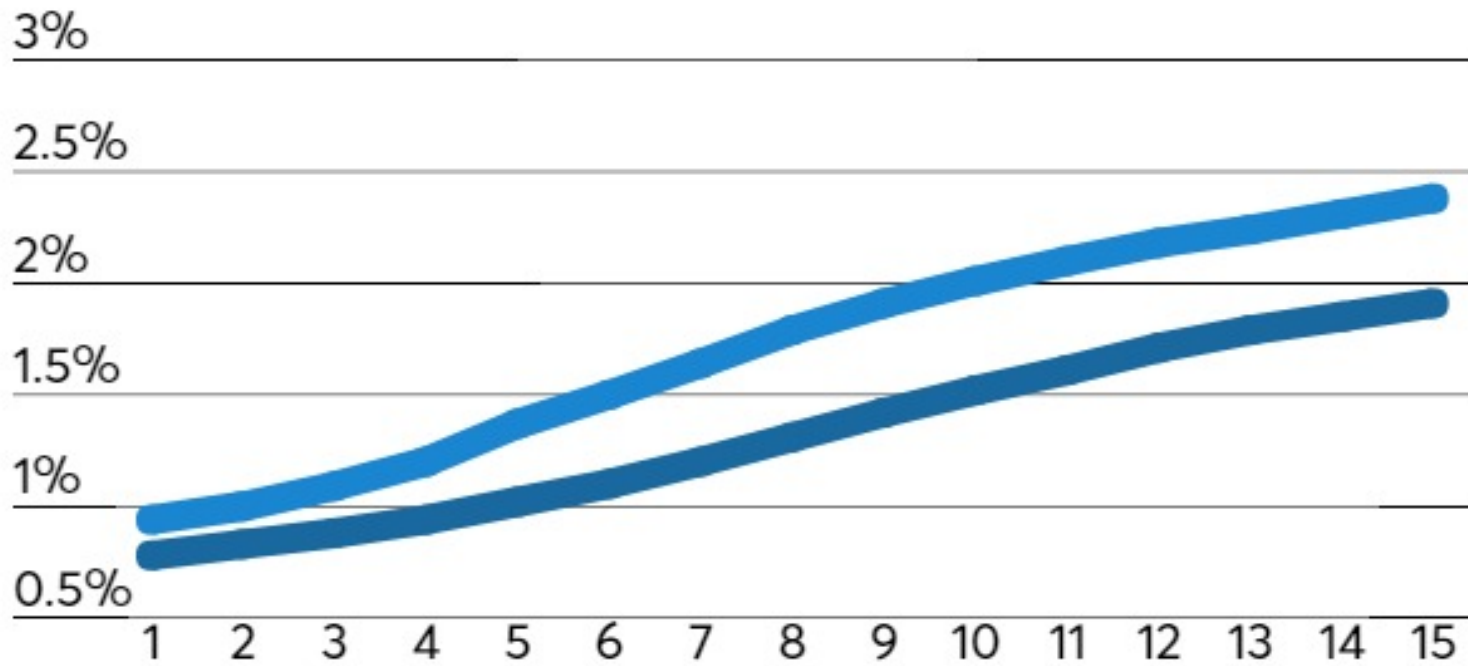


Source: Thomson Reuters

# Changes in a year

MMD tax-exempt yields 1-15 years

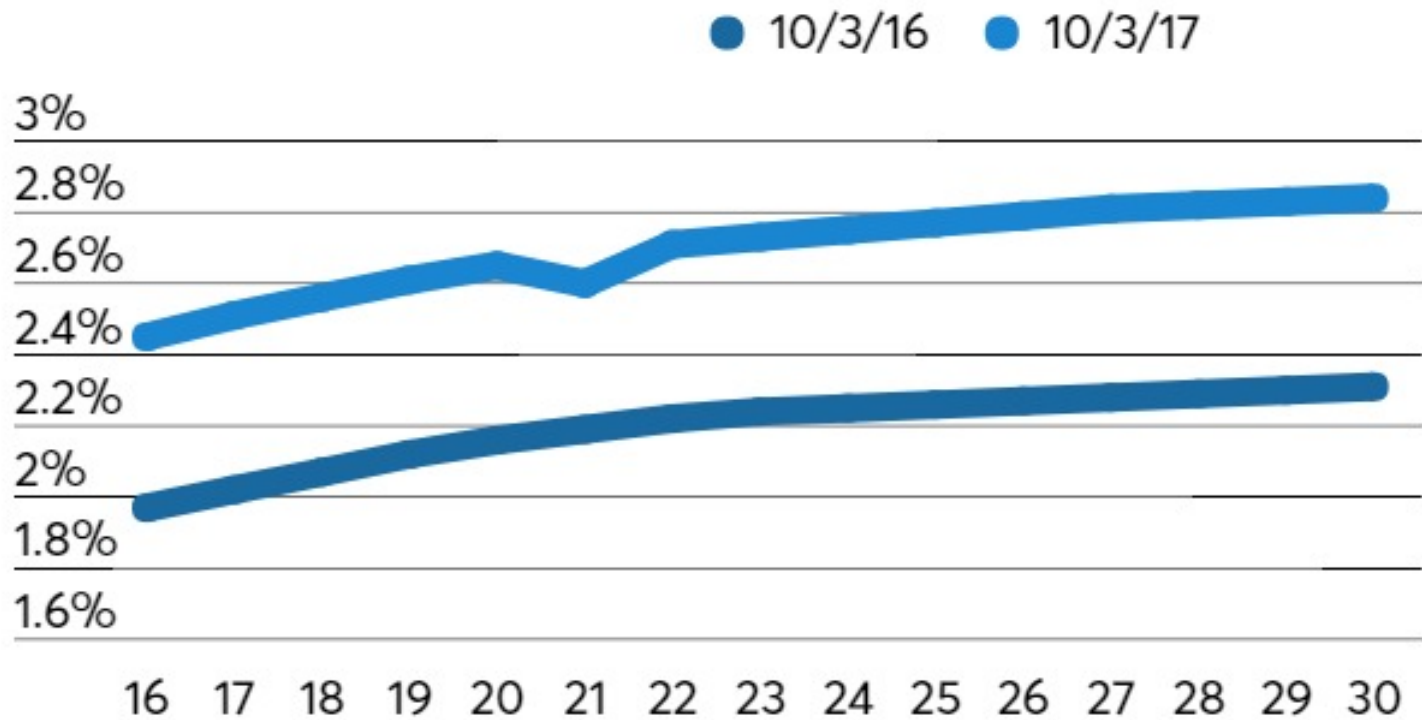
● 10/3/16 ● 10/3/17



Source: Municipal Market Data

# More changes in a year

MMD tax-exempt yields 16-30 years



Source: Municipal Market Data