



Municipal Securities Rulemaking Board

MAY 2026

Overview of the Taxable Municipal Bond Market (2026)



Trade Type

The distribution of customer purchases relative to customer sales has shifted significantly over the 16-year period. Within the tax-exempt market, customer purchases as a percentage of customer trades declined from 71% in 2010 to a historic low of 56% in 2021, inching up to 57% by 2025. In contrast, par traded percentages remained relatively stable. The tax-exempt market experienced a more pronounced decline. After starting the decade at 89% in 2010, it fell to a low of 56% in 2018. As of 2025, this figure has settled at 61%, indicating customer activity has moved off its historic lows, it remains well below the levels observed in the BABs era.

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Introduction¹

While tax-exempt interest is the most recognized feature of municipal securities, federally taxable municipal debt has at times constituted a significant portion of the overall market. Taxable issuance and the overall amount of trading activity have varied dramatically since 2010. Taxable issuance relative to overall issuance reached an all-time high of 35% in 2010 at the peak of the Build America Bonds program (BABs).² It also represented 30% of issuance in 2020 and 25% in 2021 during the COVID-19 pandemic. Yet, in eight of the 16 years analyzed in this report, taxable issuance was less than 10% of overall issuance, reaching a low of 6% in 2025. Based on average trade size for taxable securities, it is likely that individual investors were significant participants in the taxable market in 2010, but much less so in 2020 and 2021.

This report studies trends and patterns in the new issue market as well as the overall taxable municipal securities market. It explores how changes in tax status and tax policy, interest rates and changes in the needs of municipal entities have influenced issuance and trading behavior in both the primary and secondary markets for both taxable and tax-exempt municipal securities between 2010 and 2025.

¹ The views expressed in this research paper are those of the authors and do not necessarily reflect the views and positions of the MSRB.

² Build America Bonds (BABs) are taxable municipal securities issued from April 2009 to December 2010 as direct pay subsidy bonds (federal cash subsidy paid directly to the issuer) or tax credits. See "Treasury Analysis of Build America Bonds Issuance and Savings," U.S. Treasury Department, May 16, 2011.

Methodology

Our research uses MSRB's Real-Time Transaction Reporting System (RTRS) data between January 2010 through December 2025, consisting of approximately 167 million trades. Both primary and secondary market transaction data excluded variable rate securities and municipal commercial paper trades. Primary market trades are differentiated from secondary market trades using MSRB trade data flagged as list offering price and takedown transactions.³ In this report, we also analyzed issuance data obtained from the LSEG municipal market primary offering database looking at the issuance by tax status and refunding status.⁴ During this period, approximately \$7 trillion in municipal bonds were issued in 183,000 separate issues.

Background

Since 2010, taxable municipal new issue volume has averaged 13.5% of yearly total new issue volume. However, that average was greatly impacted by three outlier years. In 2010, 2020 and 2021, taxable new issue volume soared to 35%, 30% and 25% of total new issue volume, respectively. These spikes in issuance were primarily the result of the introduction of the BABs program in 2009 and 2010 and the COVID-19 pandemic in 2020 and 2021. After the financial crisis that began in 2008, the federal government enacted the BABs program in 2009 to encourage municipal entities to borrow to make investments that would create jobs and stimulate the economy. The program offered a 35% direct subsidy from the federal government to issuers of BABs. The subsidy made taxable issuance extremely attractive to municipal entities and opened up the possibility of expanding the traditional investor base to include pension funds and foreign investors.

In 2020 and 2021, there were two factors that had a dramatic impact on taxable new issuance and trading. First, at the onset of the COVID-19 pandemic, the federal government instituted various measures to try to stimulate the economy including an accommodative monetary policy that resulted in record low interest rates. Second, the Tax Cuts and Jobs Act (TCJA) of 2017 eliminated the ability for municipal entities to advance refund outstanding tax-exempt debt with tax-exempt debt and use the savings to plug budget gaps caused by the pandemic. Municipal entities facing uncertainties regarding revenues and expenses because of the pandemic increasingly looked to advance refund outstanding tax-exempt debt with taxable debt capitalizing on the historically low rates. While tax-exempt debt remained the primary option for the majority of municipal issuance, both periods were critical points where issuers increasingly used the taxable municipal bond market to help address liquidity and budgetary needs.

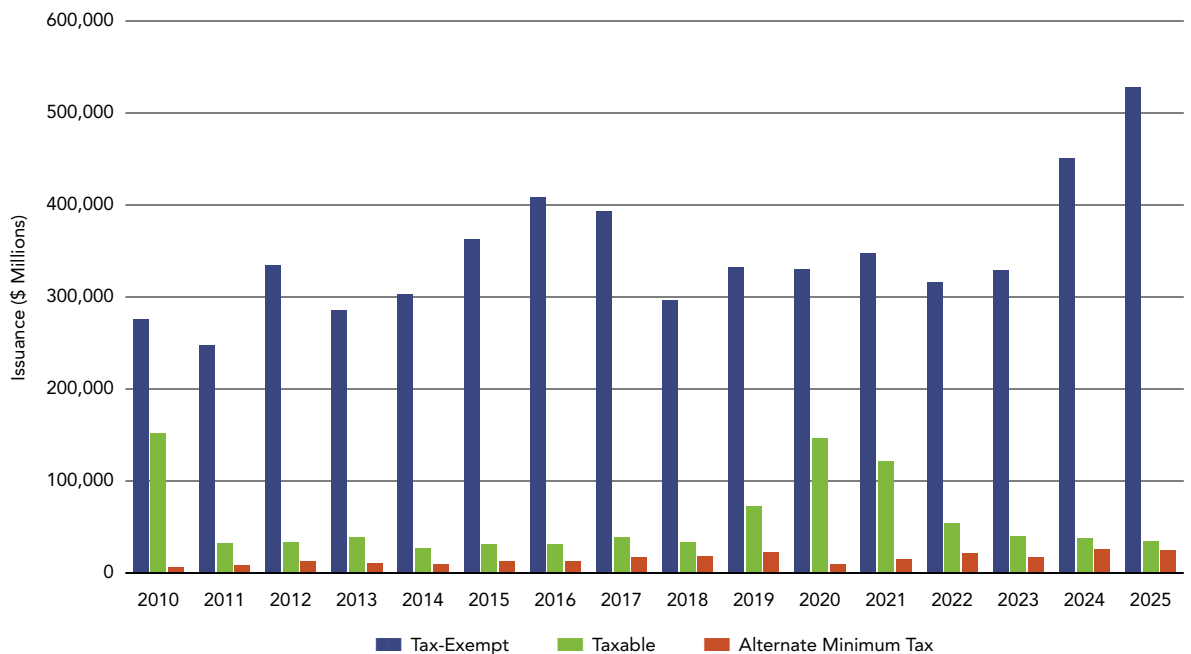
³ Indicates a trade executed on the first day of trading of a new issue, either by an underwriter or another broker-dealer or bank involved in the initial distribution of the securities at the published "list offering price" for the security, or by an underwriter to another broker-dealer or bank involved in the initial distribution of the securities at a discount (or "takedown") from the published list offering price for the security.

⁴ SDC Platinum.

New Issue Volumes

Figure 1 below shows issuance by tax status from 2010 to 2025, and in most years, taxable issuance was a small portion of overall issuance. However, as previously mentioned, three years—2010, 2020 and 2021—deviated sharply from this pattern, with taxable issuance surpassing \$120 billion in annual issuance. Taxable issuance reached a record high of \$152 billion in 2010, representing 35% of total issuance. By 2011, taxable issuance fell to \$32 billion, or 11% of total issuance, and averaged \$33 billion, or 9% of overall issuance, between 2012 and 2018. However, taxable issuance began to rise in 2019 and increased significantly in 2020 and 2021, reaching \$146 billion, or 30% of total issuance, in 2020 and \$121 billion, or 25% of the new issue market, in 2021. While taxable issuance declined steadily to \$35 billion by 2025, the concurrent spike in tax-exempt volume further diluted its market share. This resulted in taxable bonds representing just 6% of total issuance in 2025, down significantly from the 30% seen during the pandemic.

Figure 1. Annual Municipal Bond Issuance by Tax Status, 2010–2025

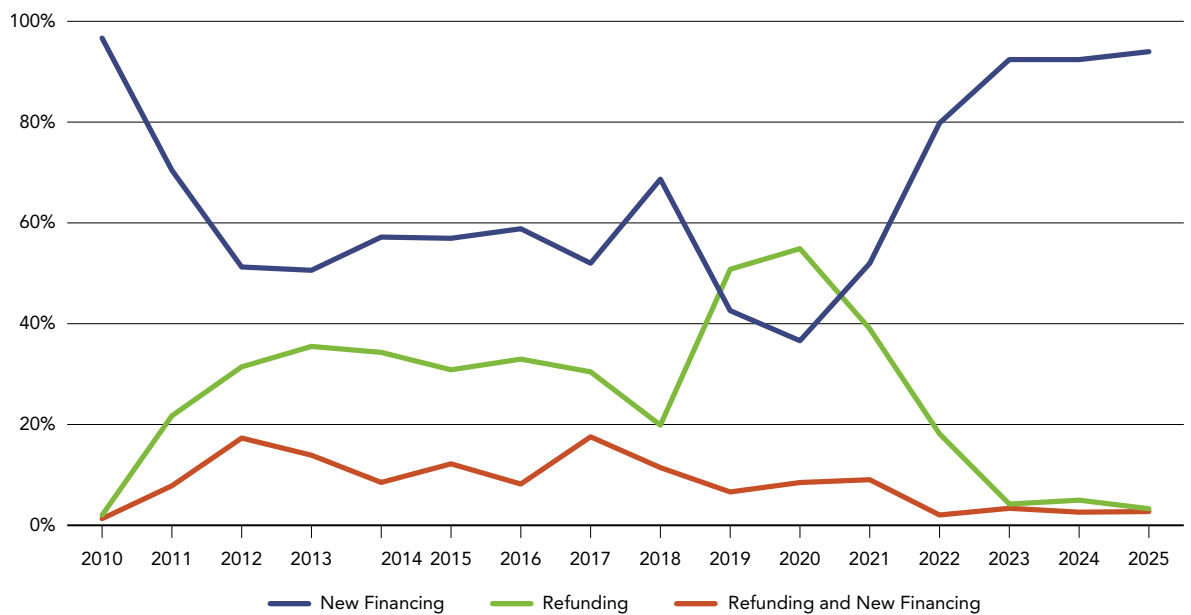


Further analysis shows that the breakout of issuance between new money and refunding issuance⁵ varied greatly over time and again was dramatically impacted by changes in tax policy, interest rates, and issuer needs. While new money issuance remained the dominant driver of the market over the 16-year period, refunding volume experienced periodically significant increases in market

⁵ New money issuance involves selling bonds to fund the initial construction or acquisition of capital projects, increasing an issuer's total debt. Refunding issuance is the sale of new bonds to retire existing debt, typically executed to realize interest rate savings or restructure debt service without providing capital for new projects.

share. These shifts were most significant when looking at taxable issuance. As shown in Figure 2, taxable new money issuance was at its highest at 97% of total taxable issuance in 2010 during the height of BABs issuance. From 2011 to 2017 the split between new money financing and refunding remained stable, with new money still accounting for the majority of issuance albeit significantly lower, at an average of 57%. An important shift occurred following the TCJA, which initially caused a spike in new money financing. This increase was interrupted in 2020 when taxable refunding deals surged to a record 55% of taxable issuance, significantly higher than the broader refunding market’s increase to 31% of total issuance. However, this pivot proved temporary, and as interest rates rose beginning in 2022, refunding issuance dropped. By the end of 2025, taxable refunding accounted for a mere 3% of the segment’s issuance. With the broader market’s refunding issuance also dropping to a low of 12%, both taxable and overall issuance have signaled a return to new money dominance.

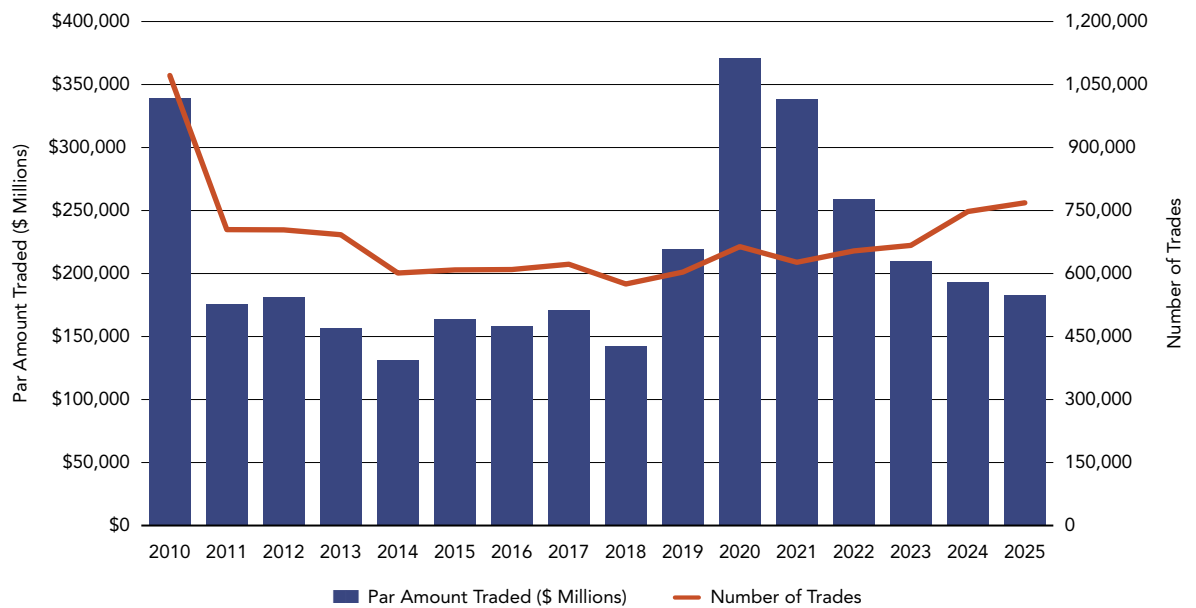
Figure 2. Percentage of Total Taxable Issuance by Refunding Status, 2010–2025



Trade Activity Overview

As seen in Figure 3 below, the par amount traded increased significantly in 2010, 2020, and 2021, coinciding with the years of record issuance for taxable municipal securities. Although taxable issuance in 2020 and 2021 was similar to 2010 issuance, trading volume tells a very different story. In 2010, trade count for taxable municipal securities reached a record of almost 1.1 million trades, a number that has not been approached again despite increased issuance volumes in 2020 and 2021. Taxable trade count in 2020 was 664,000, 38% less than in 2010. This pattern also appears in the average trade size, which rose from \$317,000 in 2010 to \$559,000 in 2020, an increase of almost 77%. The significantly larger number of trades in 2010 and the dramatically lower average trade size likely indicates that individual investors were much bigger participants in 2010 than they were in 2020 and 2021. Similarly, significantly larger trade sizes and lower trade count indicates trading volume in taxable municipal securities in 2020 was likely dominated by institutional investors. This makes sense, as the BABs program in 2010 was widely known, and interest rates in 2010 were much higher than in 2020 and 2021. This is consistent with previous MSRB research, which has shown that trading volumes in the municipal securities market, especially trade count, are highly correlated to yields.⁶

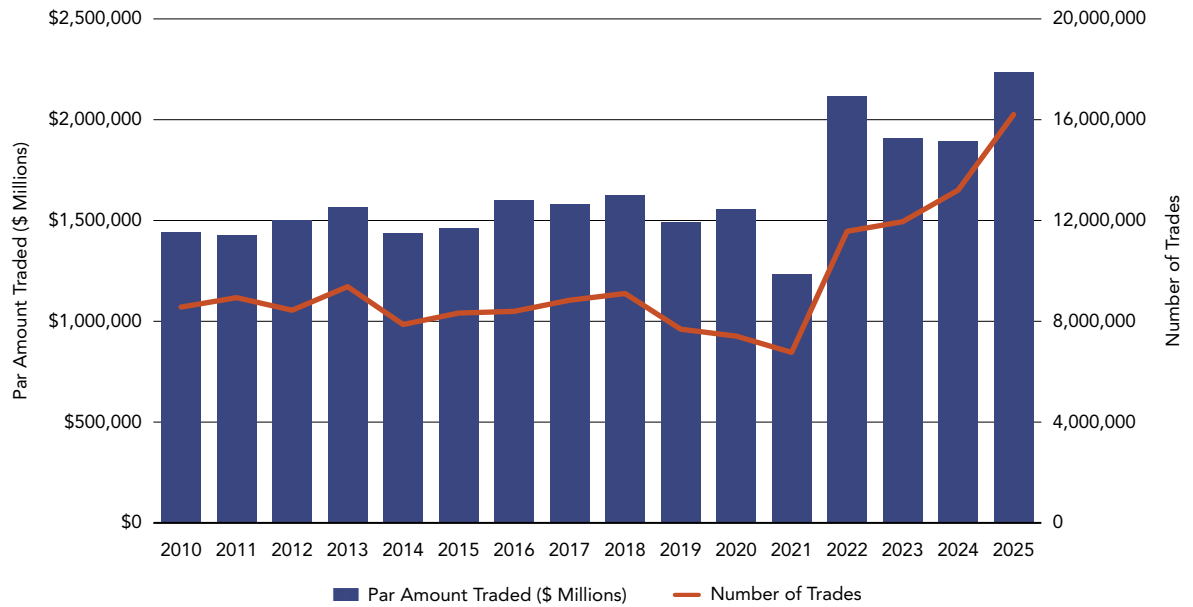
Figure 3. Number of Trades and Par Amount Traded: Taxable Market, 2010–2025



⁶ See Simon Wu, John A. Bagley, “What Drives Trading Volume in the Municipal Securities Market? A Study of Likely Factors” Research Paper, Municipal Securities Rulemaking Board, February 2025

The tax-exempt market has reached record high volumes in both trade count and par amount traded over the last four years, a trend seen in Figure 4, shifting the balance between tax-exempt and taxable trading in municipal securities. The market share of tax-exempt par traded recovered from a low of 76% in 2021 to 88% in 2025. Similarly, the tax-exempt share of total trade volume rose from 91% to 94% over the same period. Conversely, the share of taxable par traded fell to 7% and trade count to 4%, down from 2021 highs of 21% and 8%.

Figure 4. Number of Trades and Par Amount Traded: Tax-Exempt Market, 2010–2025



Although the primary scope of this analysis focuses on the taxable and tax-exempt market, the alternative minimum tax (AMT) market, although small, also exhibited several notable shifts between 2010 and 2025. Following a peak in 2010 of 4%, the AMT share of total trade count underwent a sustained annual decline, reaching a low in 2021 of 1%, before recovering slightly through 2025 to 2%. In contrast, the AMT share of total par volume remained relatively stable from 2010 to 2017, interrupted by a brief spike in 2018, before increasing in 2022 and again in 2025 to reach a 16-year high of 5%.

Primary and Secondary Market Trading Volumes by Tax Status

The following analysis focuses on the differences between the primary and secondary market trades. The secondary market has expanded significantly since 2020, characterized by a sharp rise in trade volume. During this period, tax-exempt trade volume grew by 121%, significantly outpacing the 26% increase seen in the taxable segment. In terms of par volume, tax-exempt securities increased by 41% while taxable securities decreased by 39%. Notably, the AMT market recorded a significant 239% growth in trade volume and a 127% increase in par volume, although it still makes up a very small part of the total market.

In the primary market, tax-exempt trade and par volumes remained consistent and cyclical, though both reached record highs in 2025. Conversely, the taxable primary market followed the overall taxable market's recurring trend. After a year of high volume in 2010, the segment stabilized until 2018, when both trade count and par volume spiked through 2021. Although current volumes are lower than those peak levels, they remain significantly higher than the 2011 to 2018 baseline. This trend is also shown in market share percentages, with taxable primary securities accounting for 19% of trade count and 33% of par volume of primary market trades in 2010, dropping to 5% and 7% by 2015, and surging to a second peak of 22% and 31% in 2020. As of 2025, these shares have once again retracted to 6% and 7%, respectively.

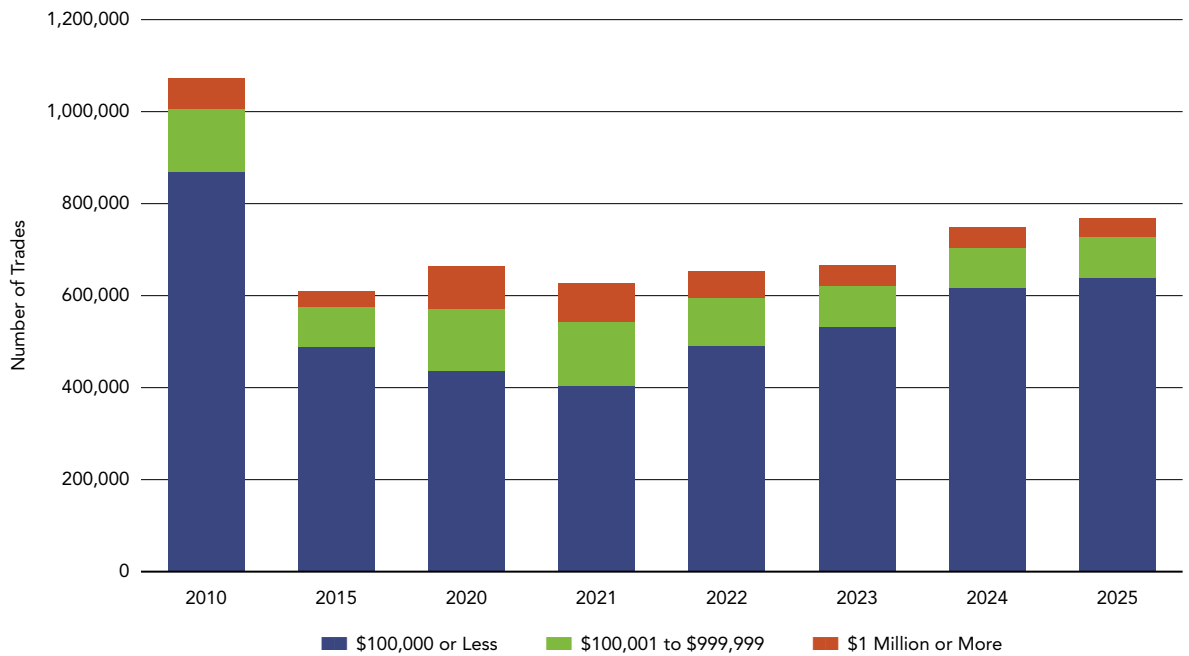
Trade Size

From 2010 through 2018, the composition of the taxable securities market remained stable, with trades valued at \$100,000 or less, referred to as odd-lot trades, averaging 81% of total taxable trade count. This shifted following 2018, as this segment declined to a historic low of 64% in 2021, coinciding with historically low interest rates and the dominance of institutional investors in the taxable market, before rebounding to 83% by 2025. Conversely, shares of total taxable trade count for mid-sized trades (between \$100,001 and \$999,999) and block-sized trades (exceeding \$1 million) peaked in 2021, reaching 22% and 14%, respectively. However, this proved temporary, as these segments fell to 11% and 6% by 2025.

Concurrently, the taxable par amount market share for block-sized trades has experienced a consistent decline from a peak of 83% in 2020 to 76% in 2025. Meanwhile, odd-lot par amount traded continues to grow annually post pandemic, suggesting a shift away from a majority institutional-investor base, something that in recent years has also been observed across the tax-exempt securities market. For example, in 2020, 67% of tax-exempt par amount traded was block-sized, but this dropped down to 57% by 2025, while both mid-sized and odd-lot par amount traded shares increased, signaling more participation by individual investors, including from separately managed accounts (SMAs).

Interestingly, when analyzing block-sized trading, AMT securities have had notable annual growth. From 2010 to 2025, the AMT market share of all block-sized trades rose from 2% to 7% of total par amount traded and from 2% to 6% of total trade count. By 2025, AMT securities' share of block-sized trades was approaching that of taxable block-sized trades, which accounted for 9% of both par amount and trade count.

Figure 5. Number of Trades of Taxable Securities by Trade Size, 2010–2025



Trade Type

The distribution of customer purchases relative to customer sales has shifted significantly over the 16-year period. Within the tax-exempt market, customer purchases as a percentage of total customer trades declined from 71% in 2010 to a historic low of 56% in 2021, inching up to 57% by 2025. In contrast, par traded percentages remained relatively stable. The taxable segment experienced a more pronounced decline. After starting the decade at 89% in 2010, likely bolstered by higher interest rates and the widespread knowledge of BABs, taxable customer purchases fell to a low of 56% in 2018. As of 2025, this figure has settled at 61%, indicating that while purchase activity has moved off its historic lows, it remains well below the levels observed during the BABs era.

Conclusion

Since 2015, the taxable municipal securities market has seen large shifts in new issuance and secondary trading volumes. While tax-exempt bonds remained the primary pillar throughout this period, shifting federal regulations, fluctuating interest rate environments and differing needs of issuers led to notable spikes in taxable activity in 2010, 2020 and 2021. From 2020 to 2025, taxable issuance retracted from 30% of total issuance to a low of 6%, while tax-exempt issuance grew from 68% to 90% of total issuance. This shift is further characterized by a change in the purpose of debt issuance. Taxable refunding, which peaked during the pandemic, has largely declined from 55% in 2020 to 3% by the end of 2025, likely because significantly higher interest rates and the end of uncertainty surrounding the pandemic have given way to a new money-financing environment. As of 2025, new financing represents 74% of total issuance, while refunding activity has plummeted to its lowest level in over a decade at 12%.

Furthermore, the data indicates a notable switch in the investor base. The decline in block-sized par volume and the simultaneous rebound in odd-lot transactions to 83% of taxable trade volume in 2025, compared to 64% in 2021, suggest more participation by individual investors, including SMAs. Having navigated the uncertainties of the TCJA and the COVID-19 financial crisis, the market has successfully balanced liquidity needs and shifted back to financing new capital projects primarily through traditional tax-exempt debt.

ABOUT MSRB

The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 with the mission to protect investors, issuers and the public interest and to promote efficiency, competition and capital formation. MSRB is a private, self-regulatory organization governed by an independent board of directors with market knowledge and expertise. MSRB does not receive federal appropriations and is funded primarily through fees paid by regulated entities. MSRB is overseen by Congress and the Securities and Exchange Commission.



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