



CIM Market Brief

July 2025

- On Friday, July 4th, 2025 (Independence Day), President Trump signed the “One Big Beautiful Bill Act” (OBBBA) into law, a day after its passage by Congress.
- This massive piece of legislation, a cornerstone of the President and Republican Party’s agenda, extends expiring provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 and incorporates other tax priorities of President Trump. It also outlines spending reductions and revenue-raisers to partly offset the estimated cost of the aforementioned tax provisions.
- OBBBA makes permanent several expiring tax cuts in the TCJA and potentially enhances some of those cuts. This is largely expected to benefit individual income taxpayers as the TCJA had made corporate tax breaks permanent.
- Crucial to the municipal bond industry, the bill left the highly coveted federal municipal bond tax-exemption intact. This followed months of intense lobbying and congressional outreach by industry groups/proponents highlighting the vital role municipal bonds play in financing core U.S. infrastructure. The potential threat of municipal bonds losing their tax exemption dominated sector headlines and caused consternation amongst investors over the past few months.
- CIM, unlike some of our peers, repeatedly reiterated its view that these fears were overstated and a broader loss of municipal tax-exemption was highly unlikely (see links to our previous commentaries [HERE](#)). With this legislation’s passage, we feel vindicated in the durability of our conviction as we seek to effectively and responsibly invest client assets through uncertain times.

Key OBBBA provisions specifically as they apply to CIM holdings are outlined below:

- **Extension of Alternative Minimum Tax Exemption (AMT).** The higher individual AMT exemption amounts and phase-out income thresholds (with tweaks to the income thresholds) have been permanently extended for tax years starting on January 1, 2026. The current AMT provisions were slated to expire at calendar year-end 2025 and would have reverted to pre-TCJA levels. This permanent extension should, in our view, bolster AMT bond valuations and liquidity.
- **Private Activity Bonds.** The legislation left private activity bonds intact and expanded their scope. Private activity bonds are extensively used to finance projects across municipal sectors such as airports, housing, toll roads, high-speed rail and other municipal project financings.

- **Increased Endowment Tax Rates.** Private higher education institutions will be subject to increased endowment tax rates based on their endowment levels per student and enrollment size. The new tax rates are progressive with higher rates most meaningfully impacting larger, wealthier institutions with sizeable endowments. Notably, the legislation's endowment tax rates were materially scaled back from the more onerous House-passed version, somewhat blunting its negative effects on impacted institutions.
 - Our higher education sector exposure is intentionally modest given underlying sector credit risks (weakened demographics, affordability challenges, to name a few) and relative value considerations. For our higher education holdings, we do not foresee material changes to credit profiles.
- **Significant Medicaid Cuts.** Key changes include imposing work requirements for recipients, more frequent redeterminations for enrollees, freezes and a lowering of provider taxes by states, reduction of supplemental payments, coupled with enhanced eligibility rules and checks. While this could prove disruptive to states and healthcare provider finances (particularly those serving larger Medicaid/self-pay populations), we expect them to take proactive steps to blunt the negative effects of some of these shocks. Moreover, some of these requirements and cuts will be staggered over time.

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