



THE STRATEGIC ADVANTAGE

Are Municipal Yields Compelling Enough To Extend?

Tax-equivalent yields approaching and
exceeding 10% for some investors



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High-quality AAA municipal bonds are offering tax-equivalent yields (TEYs) that were once considered a reasonable target for equity risk.

The 30-year AAA municipal bond index yield is 5.10% as of September 25, 2026, the highest level in over a decade. That's a tax-equivalent yield over 10% for the highest earners residing in high-tax states like New York, California, New Jersey, and Massachusetts who are subject to the 3.8% net investment income tax.

Even in no-state-tax states like Florida and Texas, TEYs are over 8.5%. Moving modestly down the credit curve to AA and A-rated credits can capture even higher tax equivalent yields, although investors assume additional credit risk.

Municipal bond investors have spent much of the past decade hearing the same advice: 'stay closer to the front of the yield curve'. For long stretches, that advice made sense as incremental yield was limited, the curve was relatively flat, and the additional compensation for extending often failed to justify increased interest-rate risk. The question advisors are now asking is:

"Are municipal yields finally compelling enough to increase allocations and justify extending duration?"

For some clients, it may be suitable to do so.

The market does not offer a free lunch to extend. The market may not remain unchanged or rally ahead. Long bond prices will experience greater price volatility, liquidity constraints, and higher losses during periods of rising rates. Callable structures can also alter a bond's effective duration. It is important to weigh risk and return when evaluating

The Taxable-Equivalent Yield Changes the Comparison

In higher-tax states, the difference becomes larger when the investor owns bonds exempt from both federal and resident-state income tax. The state guide applies the 5.10% AAA callable 30-year municipal yield to the highest individual state tax rate for each state. It assumes a 37.0% federal marginal rate and calculates tax-equivalent yields using the methodology described in the table assumptions. The guide is intended as a quick reference, not individualized tax advice.

Taxable-Equivalent Yield by State

Based on a 5.1% AAA callable 30-year municipal yield and the highest individual tax rates supplied

AL 8.17% 5.00% state	AK 7.76% 0.00% state	AZ 7.96% 2.50% state	AR 8.07% 3.90% state	CA 8.95% 13.30% state	CO 8.12% 4.40% state	CT 8.34% 6.99% state	DC 8.69% 10.75% state	DE 8.31% 6.60% state	FL 7.76% 0.00% state	GA 8.18% 5.19% state	HI 8.72% 11.00% state	ID 8.24% 5.80% state
IL† 7.76% 4.95% state	IN 8.00% 2.95% state	IA† 7.76% 3.80% state	KS 8.23% 5.70% state	KY 8.04% 3.50% state	LA 8.00% 3.00% state	ME 8.36% 7.15% state	MD 8.30% 6.50% state	MA 8.53% 9.00% state	MI 8.10% 4.25% state	MN 8.61% 9.85% state	MS 8.08% 4.00% state	MO 8.14% 4.70% state
MT 8.22% 5.65% state	NE 8.13% 4.55% state	NV 7.76% 0.00% state	NH 7.76% 0.00% state	NJ 8.69% 10.75% state	NM 8.25% 5.90% state	NY* 8.71% 10.90% state	NC 8.08% 3.99% state	ND 7.96% 2.50% state	OH 7.98% 2.75% state	OK 8.13% 4.50% state	OR 8.61% 9.90% state	PA 8.01% 3.07% state
RI 8.25% 5.99% state	SC 8.19% 5.21% state	SD 7.76% 0.00% state	TN 7.76% 0.00% state	TX 7.76% 0.00% state	UT 8.13% 4.50% state	VT 8.50% 8.75% state	VA 8.23% 5.75% state	WA 7.76% 0.00% state	WV 8.15% 4.82% state	WI† 7.76% 7.65% state		

Assumptions: 37.0% federal marginal income tax rate; state rates are the highest individual rates supplied by Bloomberg LP via MTAX; resident owns qualifying in-state municipal bonds exempt from federal and applicable state income tax. Formula: $TEY = 4.89\% \div [(1 - 37.0\%) \times (1 - \text{state rate})]$. Figures are illustrative and rounded to two decimals. 4.89% is the Bloomberg 30yr BVAL yield as of 9/16/26 close

* NY bubble reflects the highest New York State rate only. For a New York City resident owning qualifying New York City bonds and including the highest 3.876% city resident income tax rate, the indicated TEY is approximately 9.10%.

† The supplied source identifies Illinois, Iowa, and Wisconsin as states where most in-state municipal bond interest is subject to state tax. Their displayed TEY therefore reflects federal exemption only. Wyoming is omitted due to lack of issuance.

Tax treatment varies by security, residency, filing status, income, AMT exposure, deductions, and changes in law. This guide is not tax advice. Tax rates and assumptions are based on sources believed reliable as of Sept 16, 2026 and may change without notice.

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Long End Yields Are At 10-Year Highs

On the close of September 25, 2026, the BVAL 30-year AAA callable municipal yield was 5.10%. An attractive starting yield increases current tax-exempt income, provides more protection against modest future rate increases, and gives an investor more income to reinvest. It also makes the decision to move beyond 10 years easier to evaluate across neutral and rising rate outlooks, rather than depending on a forecast that rates must fall.



Source: Bloomberg LP



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What Rolldown Actually Means

Rolldown is the potential price benefit a bond receives as it ages into a lower-yielding part of an upward-sloping yield curve. If the curve does not change, a bond purchased at the 30-year point will not remain a 30-year bond. Three years later, it will have roughly 27 years remaining. If the yield associated with that shorter point is lower, the bond's price can appreciate even though the overall level of rates never fell. The investor is being paid to wait, provided the curve holds its shape or flattens in a favorable way. This is separate from the higher income earned at purchase. It is also separate from making a directional call on interest rates. The 10yr-30yr slope has averaged roughly 117 basis points for the past three years, far more attractive than the 5 years prior where the slope averaged 74 basis points. The chart below reflects higher yields combined with a steeper-than-average slope.



Source: Bloomberg LP

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In higher-tax states, the difference becomes larger when the investor owns bonds exempt from both federal and resident-state income tax.

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Today's Advisor

Advisors face a choice that is materially different today. Long AAA municipal yields are near their decade highs and the level of taxable-equivalent income may be compelling. Longer duration municipals do come with additional risks, including higher volatility and potential liquidity constraints. The market may now be providing enough yield to consider exposure beyond the middle of the curve within bond portfolios when suitable for specific clients. For more information about Cumberland Asset Management or to discuss the current market, portfolio customizations, our personal service model, or to receive sample portfolios, email ClientRelations@Cumber.com and we will be ready to serve.

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