

ALLIANCE NATIONAL MUNICIPAL INCOME FUND

Form N-CSRS

July 10, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-10573

ALLIANCE NATIONAL MUNICIPAL INCOME FUND, INC.

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105  
(Address of principal executive offices) (Zip code)

Mark R. Manley  
AllianceBernstein L.P.  
1345 Avenue of the Americas  
New York, New York 10105  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 221-5672

Date of fiscal year end: October 31, 2006

Date of reporting period: April 30, 2006

ITEM 1. REPORTS TO STOCKHOLDERS.

-----  
SEMI-ANNUAL REPORT  
-----

Alliance National Municipal Income Fund

Semi-Annual Report

April 30, 2006

[LOGO]  
ALLIANCEBERNSTEIN  
INVESTMENTS

Investment Products Offered

- o Are Not FDIC Insured
- o May Lose Value
- o Are Not Bank Guaranteed

The Fund's Board of Directors approved amended and restated by-laws for the Fund effective April 1, 2006. The by-laws are an exhibit to the Fund's most

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

recently filed report on Form N-SAR, which is on file with the SEC and may be accessed via the SEC's website which is at [www.sec.gov](http://www.sec.gov). A copy is also available upon written request to the Secretary of the Fund.

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's web site at [www.alliancebernstein.com](http://www.alliancebernstein.com), or go to the Securities and Exchange Commission's (the "Commission") web site at [www.sec.gov](http://www.sec.gov), or call AllianceBernstein(R) at (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's web site at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

AllianceBernstein Investments, Inc. is an affiliate of AllianceBernstein L.P., the manager of the funds, and is a member of the NASD.

AllianceBernstein(R) and the AB Logo are registered trademarks and service marks used by permission of the owner, AllianceBernstein L.P.

June 15, 2006

### Semi-Annual Report

This report provides management's discussion of fund performance for Alliance National Municipal Income Fund (the "Fund") for the semi-annual reporting period ended April 30, 2006. The Fund is a closed-end fund that trades under the New York Stock Exchange symbol "AFB".

### Investment Objective and Policies

The Fund is a closed-end management investment company that seeks to provide high current income exempt from regular federal income tax by investing substantially all of its net assets in municipal securities that pay interest that is exempt from federal income tax. The Fund will normally invest at least 80% of its net assets in municipal securities paying interest that is exempt from regular federal income tax. The Fund also normally will invest at least 75% of its assets in investment-grade municipal securities or unrated municipal securities considered to be of comparable quality. The Fund may invest up to 25% of its net assets in municipal bonds rated below investment grade and unrated municipal bonds considered to be of comparable quality as determined by the Fund's investment adviser. The Fund intends to invest primarily in municipal securities that pay interest that is not subject to the federal Alternative Minimum Tax ("AMT"), but may invest without limit in municipal securities paying interest that is subject to the federal AMT. For more information regarding the Fund's risks, please see "A Word About Risk" on page 3 and "Note G--Risks Involved in Investing in the Fund" of the Notes to Financial Statements on page 26.

### Investment Results

The table on page 4 provides performance data for the Fund and its benchmark, the Lehman Brothers (LB) Municipal Index, for the six- and 12-month periods

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

ended April 30, 2006.

The Fund outperformed its benchmark, the LB Municipal Index, during both the six- and 12-month periods ended April 30, 2006. The Fund's stronger relative performance during the six-month period under review was largely the result of security selection in the insured, pre-refunded and special tax sectors. In addition, the Fund's leveraged structure aided its performance.

### Market Review and Investment Strategy

From April 2005 through the end of April 2006, the U.S. Federal Reserve (the "Fed") raised the target for the Federal funds rate from 2.75% to 4.75%; 0.75% of that increase was since October 2005. In response to the Fed's actions, the yields for most maturities of domestic bonds increased. Municipal bond yields increased less than U.S. Treasury bond yields. For example, during the six-month reporting period, 10-year municipal yields increased 0.16% and 30-year municipal yields actually declined 0.06%. Over the same time period, 10-year and 30-year U.S. Treasury bond yields rose 0.50% and 0.46%, respectively. The outperformance for municipal bonds largely resulted from relatively light supply--the amount of bonds issued in the first quarter of 2006 was down 29% from the first quarter of 2005. Municipal bond prices have also

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 1

been supported by ongoing demand from a diverse set of investors including traditional buyers such as U.S. individuals, as well as relatively newer municipal market participants, such as hedge funds and other institutional leveraged investors. The municipal market showed similar relative performance over the 12-month period as over the six-month period ended April 30, 2006. For the 12-month period, despite 10-year U.S. Treasury yields increasing 0.85% and 30-year U.S. Treasury yields increasing 0.66%, 10-year and 30-year municipal yields rose 0.51% and 0.16%, respectively.

The market for lower-credit quality, or high yield, municipal bonds continues to post even stronger returns than the general municipal market. The LB High Yield Municipal Index returned 5.23% and 7.46% over the six- and 12-month periods ended April 30, 2006, respectively. This compares to 1.56% and 2.16% for the same periods for the LB Municipal Bond Index, which represents the overall general market for investment-grade municipal bonds. The strong performance for lower-credit quality municipal bonds was in part due to the relatively favorable credit environment, but of more importance, due to the continued, very strong demand for higher-yielding bonds. According to AMG Data, a provider of mutual fund money flow and holdings data, new money into high yield municipal bond mutual funds accounted for approximately 40% of the flow in municipal bond mutual funds during the first quarter of 2006. By comparison, high yield bonds currently represent about 4% of the outstanding supply of municipal bonds.

During the past year, the Municipal Bond Investment Team's (the "team's") strategy has remained consistent. Given that interest rates are still relatively low compared to the level of inflation, the team continues to maintain less interest rate exposure in the Fund relative to that of the Fund's benchmark. Also, because high yield municipals have displayed such strong performance, the team has reduced the Fund's exposure to such holdings, and further diversified the Fund's remaining holdings. Recently, as market conditions allow, the team has also been selling longer-maturity holdings and replacing them with bonds with shorter maturities. In the team's view, these shorter-maturity holdings should outperform longer-maturity bonds if rates rise and the difference between long and short yields increases.

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

2 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

### HISTORICAL PERFORMANCE

#### An Important Note About the Value of Historical Performance

The performance on the following page represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. Returns are annualized for periods longer than one year. All fees and expenses related to the operation of the Fund have been deducted. Performance assumes reinvestment of distributions and does not account for taxes.

#### Alliance National Municipal Income Fund Shareholder Information

Daily market prices for the Fund's shares are published in the New York Stock Exchange Composite Transaction section of The Wall Street Journal under the abbreviation "AllianceNA." The Fund's NYSE trading symbol is "AFB." Weekly comparative net asset value (NAV) and market price information about the Fund is published each Monday in The Wall Street Journal, each Sunday in The New York Times and each Saturday in Barron's and other newspapers in a table called "Closed-End Bond Funds." For additional shareholder information regarding this Fund, please see page 42.

#### Benchmark Disclosure

The unmanaged Lehman Brothers (LB) Municipal Index does not reflect fees and expenses associated with the active management of a mutual fund portfolio. The Index is a total return performance benchmark for the long-term, investment grade, tax-exempt bond market. An investor cannot invest directly in an index, and its results are not indicative of the performance for any specific investment, including the Fund.

#### A Word About Risk

Among the risks of investing in the Fund are changes in the general level of interest rates or changes in bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. Please note, as interest rates rise, existing bond prices fall and can cause the value of your investment in the Fund to decline. While the Fund invests principally in bonds and other fixed-income securities, in order to achieve its investment objectives, the Fund may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. At the discretion of the Fund's Adviser, the Fund may invest up to 25% of its net assets in municipal bonds that are rated below investment grade ("junk bonds"). These securities involve greater volatility and risk than higher-quality fixed-income securities.

The issuance of the Fund's preferred stock results in leveraging of the Common Stock, an investment technique usually considered speculative. Leverage creates certain risks for holders of Common Stock, including higher volatility of both the net asset value and market value of the Common Stock, and fluctuations in the dividend rates on the preferred stock will affect the return to holders of Common Stock. If the Fund were fully invested in longer-term securities and if short-term interest rates were to increase, then the amount of dividends paid on the preferred shares would increase and both net investment income available

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

for distribution to the holders of Common Stock and the net asset value of the Common Stock would decline. At the same time, the market value of the Fund's Common Stock (that is, its price as listed on the New York Stock Exchange) may, as a result, decline. Furthermore, if long-term interest rates rise, the Common Stock's net asset value will reflect the full decline in the price of the portfolio's investments, since the value of the Fund's Preferred Stock does not fluctuate. In addition to the decline in net asset value, the market value of the Fund's Common Stock may also decline.

(Historical Performance continued on next page)

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 3

HISTORICAL PERFORMANCE  
(continued from previous page)

THE FUND VS. ITS BENCHMARK PERIODS ENDED APRIL 30, 2006	Returns	
	6 Months	12 Months
Alliance National Municipal Income Fund (NAV)	2.74%	4.09%
LB Municipal Index	1.56%	2.16%

The Fund's Market Price per share on April 30, 2006 was \$16.00. The Fund's Net Asset Value Price per share on April 30, 2006 was \$15.29. For additional Financial Highlights, please see page 30.

See Historical Performance and Benchmark disclosures on previous page.

4 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

PORTFOLIO SUMMARY  
April 30, 2006 (unaudited)

PORTFOLIO STATISTICS  
Net Assets (\$mil): \$313.3

[PIE CHART OMITTED]

QUALITY RATING DISTRIBUTION\*

[ ] 64.6% AAA  
[ ] 12.5% AA  
[ ] 9.6% A  
[ ] 8.5% BBB  
[ ] 4.6% BB  
[ ] 0.2% B

\* All data are as of April 30, 2006. The Fund's quality rating distribution is expressed as a percentage of the Fund's total investments rated in particular ratings categories by Standard & Poor's Rating Services and Moody's Investors Service. The distributions may vary over time. If ratings are not available, the Fund's Adviser will assign ratings that are considered to be of

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

equivalent quality to such ratings.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 5

PORTFOLIO OF INVESTMENTS  
April 30, 2006 (unaudited)

	Principal Amount (000)	U.S. \$ Value
-----		
MUNICIPAL BONDS-159.6%		
Long-Term Municipal Bonds-159.1%		
Alabama-7.5%		
Huntsville Hlth Care Auth (Huntsville Hosp Sys) Ser 02B 5.75%, 6/01/32	\$ 6,000	\$ 6,349,440
Jefferson Cnty Ltd Oblig Sch Warrants Ser 04A 5.25%, 1/01/23	1,275	1,325,413
Jefferson Cnty Swr Rev FGIC Ser 99A 5.375%, 2/01/36	7,405	7,798,354
Marshall Cnty Hlth Care Auth (Marshall Cnty Med Ctr) Ser 02A 5.75%, 1/01/32	2,500	2,587,750
(Marshall Cnty Med Ctr) Ser 02D 5.75%, 1/01/32	3,000	3,107,010
Montgomery Spl Care Facs Fin Auth Rev (Baptist Health) Ser 04C 5.125%, 11/15/24	1,500	1,517,025
5.25%, 11/15/29	810	877,100
		----- 23,562,092
Alaska-1.8%		
Alaska Intl Arpt Rev MBIA Ser 03B 5.00%, 10/01/26	1,000	1,029,900
Alaska Mun Bd Bk Auth MBIA Ser 04G 5.00%, 2/15/24	1,345	1,387,771
Anchorage Waste Wtr Rev MBIA Ser 04 5.125%, 5/01/29	750	779,137
Four Dam Pool Elec Rev Ser 04 5.00%, 7/01/24	1,035	1,050,867
5.25%, 7/01/26	1,385	1,414,390
		----- 5,662,065
Arkansas-1.4%		
Arkansas Dev Fin Auth SFMR (Mtg Rev) GNMA Ser 02A 5.30%, 7/01/34	4,430	4,485,995

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

6 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

	Principal Amount (000)	U.S. \$ Value
-----		
California-8.3%		
California GO		
Ser 02		
5.25%, 4/01/30	\$ 1,000	\$ 1,037,980
Ser 04		
5.25%, 4/01/29	2,000	2,086,660
Chula Vista IDR		
(San Diego Gas) Ser 96A		
5.30%, 7/01/21	4,000	4,200,320
Coachella Valley Uni Sch Dist		
MBIA Ser 03		
5.00%, 9/01/31	1,000	1,024,580
Hartnell Comm College		
MBIA Ser 03A		
5.00%, 8/01/27	1,155	1,236,705
La Quinta Fin Auth Loc Agy Rev		
AMBAC Ser 04A		
5.25%, 9/01/24	2,000	2,120,200
Los Angeles Cmnty Redev Agy		
Ser 04L		
5.00%, 3/01/18	1,715	1,696,786
Los Angeles Regl Arpts		
(Laxfuel Corp) AMBAC Ser 01 AMT		
5.50%, 1/01/32	9,500	9,868,505
San Rafael Elem Sch Dist		
FSA Ser 03A		
5.00%, 8/01/28	2,820	2,877,359
		-----
		26,149,095
Colorado-4.4%		
Avon Hsg Auth MFHR		
(Buffalo Ridge II Proj) GNMA Ser 02A AMT		
5.70%, 10/20/43	4,950	5,081,571
Colorado Ed & Cult Facs Auth Rev		
(Knowledge Quest Charter Sch) Ser 05		
6.50%, 5/01/36	500	500,665
Colorado Hlth Facs Auth Rev		
(Parkview Med Ctr) Ser 04		
5.00%, 9/01/25	1,800	1,806,444
Denver City & Cnty MFHR		
(Clyburn Stapleton Proj) GNMA Ser 02 AMT		
5.50%, 12/20/43	2,155	2,181,657
Northwest Metro Dist No 3		
(Ltd Tax) Ser 05		
6.125%, 12/01/25	500	521,370
Park Creek Metro Dist Rev		
(Ref-Sr-Ltd Tax Ppty Tax) Ser 05		
5.25%, 12/01/25	1,840	1,870,526
5.50%, 12/01/30	890	911,520

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 7

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

	Principal Amount (000)	U.S. \$ Value
-----		
Todd Creek Farms Metro Dist No 1 Wtr Rev (Ref & Impt) Ser 04 6.125%, 12/01/19	\$ 780	\$ 778,417
		----- 13,652,170
District Of Columbia-1.2% District of Columbia Spl Tax Rev (Gallery Place Proj) Ser 02 FSA 5.40%, 7/01/31	3,500	3,673,390
Florida-23.5% Beacon Tradeport CDD Ser 02B 7.25%, 5/01/33	5,550	5,890,160
Brevard Cnty HFA SFMR (Mtg Rev) GNMA Ser 02C AMT 5.40%, 3/01/33	945	952,305
Collier Cnty CFD (Fiddler's Creek) Ser 02A 6.875%, 5/01/33	2,950	3,080,272
(Fiddler's Creek) Ser 02B 6.625%, 5/01/33	2,215	2,284,662
Dade Cnty Arpt Rev (Miami Int'l Arpt) FGIC Ser 02 AMT 5.375%, 10/01/32	6,040	6,280,090
Florida Ed & Athletic Fac (FSU Finl Assist) AMBAC Ser 02 5.00%, 10/01/31	5,000	5,140,500
Florida Hsg Fin Corp MFHR (Westminster Apts) FSA Ser 02E-1 AMT 5.40%, 4/01/42	3,000	3,052,950
Hamal CDD (Hamal) Ser 01 6.75%, 5/01/31	2,460	2,577,096
Jacksonville Wtr & Swr Sys Rev (Jacksonville Elec) MBIA Ser 02A 5.50%, 10/01/41(a)	20,000	20,308,200
Lee Cnty Arpt Rev (Southwest FL Intl) FSA Ser 00A AMT 5.75%, 10/01/22-10/01/25	9,500	10,130,835
Lee Cnty CDD (Miromar Lakes) Ser 00A 7.25%, 5/01/12	1,490	1,559,821
Lee Cnty IDA Hlth Fac (Shell Point Village) Ser 99A 5.50%, 11/15/29	2,500	2,522,525
Lee Cnty Trans Fac (Sanibel Brdgs & Causway) CIFG Ser 05B 5.00%, 10/01/30	1,700	1,764,566
Miami Beach Hlth Facs Hosp Rev (Mount Sinai Med Ctr) Ser 04 6.75%, 11/15/24	2,000	2,218,060



Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

	Principal Amount (000)	U.S. \$ Value
-----		
Midtown Miami CDD Ser 04A 6.00%, 5/01/24	\$ 2,500	\$ 2,650,075
Orange Cnty Hlth Facs Hosp Rev (Orlando Regional) Ser 02 5.75%, 12/01/32	1,400	1,547,238
Pinellas Cnty HFA SFMR (Mtg Rev) GNMA/FNMA Ser 02A AMT 5.40%, 3/01/32	830	837,777
Village CDD Ser 03A 6.00%, 5/01/22	875	908,836
		----- 73,705,968
Georgia-2.3%		
Cartersville Dev Auth (Anheuser Busch Proj) Ser 02 AMT 5.95%, 2/01/32	2,510	2,708,039
Georgia HFA SFMR (Mtg Rev) Ser 02A-2 AMT 5.60%, 12/01/32	4,510	4,586,129
		----- 7,294,168
Hawaii-0.6%		
Hawaii St Elec Rev XLCA Ser 03B AMT 5.00%, 12/01/22	2,000	2,034,980
Illinois-20.2%		
Bolingbrook GO FGIC Ser 02A 5.375%, 1/01/38	5,000	5,218,700
Chicago Arpt Rev (O'Hare Int'l Arpt) MBIA Ser 02A AMT 5.375%, 1/01/32	15,000	15,482,100
(O'Hare Int'l Arpt) XLCA Ser 03B-1 5.25%, 1/01/34	1,760	1,834,202
Chicago GO FGIC Ser 00C Prerefunded 5.50%, 1/01/40	9,135	9,841,684
FGIC Ser 00C Unrefunded 5.50%, 1/01/40	5,450	5,739,940
Chicago Parking Rev (Lakefront Millennium) MBIA Ser 98 5.125%, 1/01/28	8,600	8,830,480
Chicago Sales Tax Rev FGIC Ser 98 5.25%, 1/01/28	5,710	5,905,510
Cook Cnty Sch Dist FSA Ser 04 4.60%, 12/01/20(b)	1,000	944,620

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 9

	Principal Amount (000)	U.S. \$ Value
-----		
Gilberts Special Service Area No 15 Spl Tax (Gilberts Town Ctr Proj) Ser 05 6.00%, 3/01/28	\$ 2,766	\$ 2,745,476
Illinois Fin Auth Rev (Inst of Technology) Ser 06A 5.00%, 4/01/31	885	890,460
Manhattan No. 04-1 (Brookstone Springs Proj) Ser 05 5.875%, 3/01/28	1,875	1,888,838
Met Pier & Expo Auth (McCormick Place) MBIA Ser 02A 5.25%, 6/15/42	3,750	3,917,137
		----- 63,239,147
Indiana-5.2% Hendricks Cnty Ind Bldg Facs Corp (First Mtg) Ser 04 5.50%, 7/15/22	1,105	1,196,825
Indiana HFA SFMR (Mtg Rev) GNMA/FNMA Ser 02 AMT 5.55%, 7/01/32	2,250	2,285,820
Indiana St Dev Fin Auth Rev (Exempt Facs Inland Steel) Ser 97 5.75%, 10/01/11	2,060	2,097,863
Indianapolis Pub Improv Bd MBIA Ser 02A 5.25%, 7/01/33	10,000	10,772,200
		----- 16,352,708
Iowa-0.2% Iowa Fin Auth SFMR (Mtg Rev) GNMA/FNMA Ser 02A AMT 5.40%, 7/01/32	595	599,748
Louisiana-1.5% Calcasieu Parish SFMR (Mtg Rev) GNMA/FNMA Ser 02A 6.05%, 4/01/33	410	424,547
Louisiana HFA SFMR (Mtg Rev) GNMA Ser 02C AMT 5.60%, 6/01/33	1,580	1,603,605
New Orleans GO MBIA Ser 05 5.00%, 12/01/29	2,700	2,738,907
		----- 4,767,059
Massachusetts-3.1% Massachusetts GO Ser 02C Prerefunded 5.25%, 11/01/30 Ser 02C Unrefunded	1,780	1,914,586

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

5.25%, 11/01/30 3,220 3,463,464

10 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

	Principal Amount (000)	U.S. \$ Value
-----		
Massachusetts Hlth & Ed Fac Hosp Rev (Berkshire Hlth Sys) Asset Gty RADIAN Ser 01E 5.70%, 10/01/25	\$ 2,000	\$ 2,155,720
(Cape Cod Hlth Care) Asset Gty RADIAN Ser 01C 5.25%, 11/15/31	2,100	2,185,449
		----- 9,719,219
Michigan-5.0%		
Detroit Dev Fin Auth (Daimler Chrysler Plant) Ser 98A 5.50%, 5/01/21	1,615	1,503,097
Kent Hosp Fin Auth (Met Hosp Proj) Ser 05A 5.75%, 7/01/25	770	811,395
Michigan State Hosp Fin Auth (Marquette Gen Hosp Oblig Grp) Ser 05A 5.00%, 5/15/26	1,215	1,205,863
Michigan Strategic (Detroit Edison Co Proj) XLCA Ser 02 AMT 5.45%, 12/15/32	5,000	5,251,450
Plymouth Ed Ctr Charter Sch Pub Sch Academy Rev Ref Ser 05 5.125%, 11/01/23	2,140	2,092,278
Saginaw Hosp Fin Auth Hosp Rev (Covenant Med Ctr) Ser 00F 6.50%, 7/01/30	4,410	4,816,205
		----- 15,680,288
Minnesota-0.2%		
St Paul Hsg & Redev Auth Hosp Rev (Hlth East Proj) Ser 05 6.00%, 11/15/25	500	538,650
Missouri-0.5%		
Missouri SFMR (Mtg Rev) GNMA/FNMA Ser 02A-1 AMT 5.58%, 9/01/32	1,530	1,559,147
Nevada-15.5%		
Carson City Hosp Rev (Carson-Tahoe Hosp Proj) RADIAN Ser 03A 5.00%, 9/01/23	2,600	2,631,642
Clark Cnty Arpt Rev FGIC Ser 01B 5.25%, 7/01/34	11,920	12,762,863
Nevada Dept Bus & Ind		

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

(Las Vegas Monorail Proj) AMBAC Ser 00  
 5.625%, 1/01/32 11,720            12,560,559

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 11

	Principal Amount (000)	U.S. \$ Value
-----		
Reno Cap Improvement Rev Unrefunded FGIC Ser 02 5.375%, 6/01/32	\$ 2,790	\$ 2,954,526
FGIC Ser 02 5.375%, 6/01/32	4,710	5,101,118
Truckee Meadows Wtr Auth FSA Ser 01A 5.25%, 7/01/34	12,000	12,415,200
		----- 48,425,908
 New Hampshire-1.4% New Hampshire Hlth & Ed Fac Hosp Rev (Covenant Med Ctr) Ser 02 6.125%, 7/01/31	 4,200	 4,511,262
 New Jersey-1.9% Morris Union Jointure Commn COP RADIAN Ser 04 5.00%, 5/01/24	 5,185	 5,313,329
New Jersey Eco Dev Auth Rev (Sch Facs Constr) Ser 050 5.25%, 3/01/25	500	525,180
		----- 5,838,509
 New York-2.1% Erie Cnty IDA (City of Buffalo Proj) FSA Ser 04 5.75%, 5/01/23	 4,100	 4,563,095
New York City GO Ser 04G 5.00%, 12/01/23	1,600	1,648,320
New York State HFA (Eco Dev & Hsg) FGIC Ser 05A 5.00%, 9/15/25	300	313,083
		----- 6,524,498
 North Carolina-0.6% Charlotte Arpt Rev MBIA Ser 04A 5.25%, 7/01/24	 1,895	 2,006,995
 North Dakota-0.6% North Dakota HFA SFMR (Mtg Rev) Ser 02A AMT 5.65%, 1/01/34	 1,705	 1,732,894
 Ohio-3.4%		

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Cuyahoga Cnty (Port Auth Rev) Ser 01 7.35%, 12/01/31	5,000	5,213,950
Fairfield Cnty Hosp Rev (Fairfield Med Ctr Proj) RADIAN Ser 03 5.00%, 6/15/22-6/15/24	3,955	4,021,998

12 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

	Principal Amount (000)	U.S. \$ Value
-----		
Port Auth of Columbiana Cnty SWR (Apex Environmental Llc) Ser 04A AMT 7.125%, 8/01/25	\$ 1,340	\$ 1,330,888
		-----
		10,566,836
Oregon-1.1% Forest Grove Rev (Ref & Campus Impt Pacific Proj A) RADIAN Ser 05A 5.00%, 5/01/28	3,340	3,405,431
Pennsylvania-3.6% Montgomery Cnty IDA Rev (Whitemarsh Con Care Proj) Ser 05 6.00%, 2/01/21	875	922,040
Pennsylvania Parking Fac (30th St Station Garage Proj) ACA Ser 02A AMT 5.875%, 6/01/33	2,050	2,144,361
Pennsylvania Trpk Transp Rev AMBAC Ser 01 5.00%, 7/15/41	2,000	2,130,560
Philadelphia Auth IDR (Leadership Learning Partners) Ser 05A 5.25%, 7/01/24	1,150	1,104,058
Philadelphia Hosp Rev (Temple Univ Hosp) Ser 93A 6.625%, 11/15/23	3,000	3,005,010
Pittsburgh Pub Parking Auth FGIC Ser 05A 5.00%, 12/01/25	2,000	2,059,780
		-----
		11,365,809
Rhode Island-1.3% Rhode Island Hlth & Ed Bldg Corp (Times2 Academy) Ser 04 5.00%, 12/15/24	4,100	4,119,721
South Carolina-1.7% Dorchester Cnty Sch Dist No 2 Ser 06 5.00%, 12/01/29	800	820,464
Newberry Investing in Childrens Ed (Newberry Cnty Sch Dist Proj) Ser 05		

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

5.00%, 12/01/27-12/01/30	4,275	4,354,236
		-----
		5,174,700

Tennessee-0.5%

Johnson City Hlth & Ed Facs Hosp Rev (First Mtg-MTN Sts Hlth) Ser 06A 5.50%, 7/01/31	1,500	1,554,240
--	-------	-----------

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 13

	Principal Amount (000)	U.S. \$ Value
-----		
Texas-23.0%		
Bexar Cnty Hsg Fin Corp MFHR (Doral Club & Sutton House Apts) MBIA Ser 01A 5.55%, 10/01/36	\$ 14,995	\$ 15,480,988
Brownwood ISD (Schl Bldg) FGIC Ser 05 5.25%, 2/15/22-2/15/24	3,510	3,738,072
Dallas-Fort Worth Arpt Rev (Int'l Arpt) FGIC Ser 01 AMT 5.50%, 11/01/35	6,500	6,739,655
Garza Cnty Pub Fac Corp Ser 05 5.50%, 10/01/19	610	626,287
Gulf Coast Waste Disp Auth (Anheuser-Busch Proj) Ser 02 AMT 5.90%, 4/01/36	9,000	9,527,580
Harris Cnty (Flood Ctl) Ser 03B 5.00%, 10/01/23	2,600	2,677,740
Harris Cnty Toll Road Rev FSA Ser 02 5.125%, 8/15/32	2,500	2,583,150
Hidalgo Cnty Hlth Svcs (Mission Hosp Inc Proj) Ser 05 5.00%, 8/15/14-8/15/19	765	768,150
Houston (Northeast Wtr Purification Proj) FGIC Ser 02 5.125%, 3/01/32	7,000	7,181,930
Lewisville Combination Contract (Spl Assmt Cap Impt Dist No 2) ACA Ser 05 6.00%, 10/01/25	550	595,150
Matagorda Cnty Util Rev (Centerpoint Energy Proj) Ser 04 5.60%, 3/01/27	1,000	1,029,740
Richardson Hosp Auth Rev (Richardson Regional) Ser 04 5.875%, 12/01/24 6.00%, 12/01/19	2,310 1,830	2,415,336 1,964,450
San Antonio Arpt Rev FGIC Ser 02A AMT 5.25%, 7/01/27	5,250	5,408,235
Seguin High Ed Fac Rev (Texas Lutheran University Proj) Ser 04		

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

5.25%, 9/01/33	1,250	1,248,100
Texas GO		
Ser 02A AMT		
5.50%, 8/01/41	9,470	9,937,818
		-----
		71,922,381

14 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

	Principal Amount (000)	U.S. \$ Value
-----		
Utah-0.8%		
Davis Cnty Sales Tax Rev		
AMBAC Ser 03B		
5.25%, 10/01/23	\$ 1,000	\$ 1,054,860
Utah Hsg Corp MFHR		
(Bluffs Apts Proj) GNMA Ser 02A AMT		
5.60%, 7/20/30	1,480	1,538,090
		-----
		2,592,950
Virginia-3.2%		
Fauquier Cnty IDA Hosp Rev		
(Fauquier Hospital) Asset Gty Ser 02		
5.25%, 10/01/31	8,500	8,785,515
Pocahontas Pkwy Assoc Toll Rd Rev		
(Cap Appreciation) Sr Ser 98B		
Zero Coupon, 8/15/15	2,250	1,355,872
		-----
		10,141,387
Washington-4.2%		
King Cnty Swr Rev		
FSA Ser 02A		
5.25%, 1/01/32	3,000	3,108,120
Twenty-Fifth Ave Pptys		
(University of WA) MBIA Ser 02		
5.25%, 6/01/33	9,750	10,108,507
		-----
		13,216,627
Wisconsin-7.3%		
Wisconsin Hlth & Ed Fac Auth Rev		
(Bell Tower Residence Proj) Ser 05		
5.00%, 7/01/20-7/01/25	1,485	1,491,744
Wisconsin Hlth & Ed Fac Hosp Rev		
(Ministry Hlth Care) MBIA Ser 02A		
5.25%, 2/15/32	13,615	14,148,844
Wisconsin Hsg Auth SFMR		
(Mtg Rev) MBIA Ser 02A AMT		
5.60%, 5/01/33	4,885	5,076,150
(Mtg Rev) Ser 02A AMT		
5.50%, 9/01/32	2,090	2,116,229
		-----
		22,832,967

Total Long-Term Municipal Bonds

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

(cost \$477,070,958)

498,609,004

Short-Term Municipal Notes(c)-0.5%

Alaska-0.2%

Valdez Alaska Marine Term Rev

(BP Pipe Lines Proj) Ser 03B

3.81%, 7/01/37

500

500,000

Nevada-0.3%

Clark Cnty Nev Sch Dist

Ser 01A

3.78%, 6/15/21

1,000

1,000,000

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 15

U.S. \$ Value

Total Short-Term Municipal Notes

(cost \$1,500,000)

\$ 1,500,000

Total Investments-159.6%

(cost \$478,570,958)

500,109,004

Other assets less liabilities-2.6%

8,162,950

Preferred stock, at redemption value-(62.2)%

(195,000,000)

Net Assets Applicable to Common

Shareholders-100%(d)

\$313,271,954

INTEREST RATE SWAP TRANSACTIONS (see Note C)

Swap Counterparty	Notional Amount (000)	Termination Date	Rate Type		Unrealized Appreciation
			Payments made by the Portfolio	Payments received by the Portfolio	
Merrill Lynch	\$ 9,000	11/01/19	3.896%	BMA*	\$ 250,389
Merrill Lynch+	3,000	7/30/26	4.090%	BMA*	104,265
Merrill Lynch++	6,500	8/09/26	4.063%	BMA*	251,199

\* BMA (Bond Market Association)

+ Represents a forward interest rate swap whose effective date for the exchange of cash flows is July 30, 2006.

++ Represents a forward interest rate swap whose effective date for the exchange of cash flows is August 9, 2006.

(a) Represents entire or partial position segregated as collateral for interest rate swaps.

(b) Indicates a security that has a zero coupon that remains in effect until a predetermined date at which time the stated coupon rate becomes effective until final maturity.

(c) Variable Rate Demand Notes (VRDN) are instruments whose interest rates change on a specific date (such as coupon date or interest payment date) or whose interest rates vary with changes in a designated base rate (such as prime interest rate). This instrument is payable on demand and is secured by letters of credit or other credit support agreements from



## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

major banks.

- (d) Portfolio percentages are calculated based on net assets applicable to common shareholders.

16 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

### Glossary of Terms:

ACA	- American Capital Access Financial Guaranty Corporation
AMBAC	- American Municipal Bond Assurance Corporation
AMT	- Alternative Minimum Tax-(subject to)
CDD	- Community Development District
CFD	- Community Facilities District
CIFG	- CIFG Assurance North America, Inc.
COP	- Certificate of Participation
FGIC	- Financial Guaranty Insurance Company
FNMA	- Federal National Mortgage Association
FSA	- Financial Security Assurance, Inc.
GNMA	- Government National Mortgage Association
GO	- General Obligation
HFA	- Housing Finance Authority
IDA	- Industrial Development Authority
IDR	- Industrial Development Revenue
ISD	- Independent School District
MBIA	- Municipal Bond Investors Assurance
MFHR	- Multi-Family Housing Revenue
RADIAN	- Radian Group, Inc.
SFMR	- Single-Family Mortgage Revenue
SWR	- Solid Waste Revenue
XLCA	- XL Capital Assurance

See notes to financial statements.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 17

### STATEMENT OF ASSETS & LIABILITIES

April 30, 2006 (unaudited)

#### Assets

Investments in securities, at value (cost \$478,570,958)	\$ 500,109,004
Interest receivable	7,750,368
Unrealized appreciation of swap agreements	605,853
Receivable for investment securities sold	160,372
Receivable for capital stock sold	62,559

Total assets	508,688,156
--------------	-------------

#### Liabilities

Due to custodian	24,134
Advisory fee payable	167,164
Dividends payable--preferred shares	87,031
Printing fee payable	44,753
Audit fee payable	37,993
Legal fee payable	28,071
Transfer Agent fee payable	7,656
Dividends payable--common shares	1,218
Accrued expenses and other liabilities	18,182

Total liabilities	416,202
-------------------	---------

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Preferred Stock, at redemption value	
\$.001 par value per share; 7,800 shares	
Auction Preferred Stock authorized, issued and	
outstanding at \$25,000 per share liquidation	
preference	195,000,000
	-----
Net Assets Applicable to Common Shareholders	\$ 313,271,954
	=====
Composition of Net Assets Applicable to	
Common Shareholders	
Common stock, \$.001 par value per share;	
1,999,992,200 shares authorized,	
20,491,401 shares issued and outstanding	\$ 20,491
Additional paid-in capital	290,583,514
Undistributed net investment income	2,075,787
Accumulated net realized loss on investment transactions	(1,551,737)
Net unrealized appreciation of investments	22,143,899
	-----
Net Assets Applicable to Common Shareholders	\$ 313,271,954
	=====
Net Asset Value Applicable to Common Shareholders	
(based on 20,491,401 common shares outstanding)	\$15.29
	=====

See notes to financial statements.

18 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

STATEMENT OF OPERATIONS

Six Months Ended April 30, 2006 (unaudited)

Investment Income	
Interest	\$ 13,048,952
Expenses	
Advisory fee	\$ 1,647,073
Auction Preferred Stock-auction	
agent's fees	243,970
Custodian	100,166
Legal	37,617
Audit	33,765
Printing	20,494
Directors' fees and expenses	17,794
Registration fees	11,765
Transfer agency	8,460
Miscellaneous	44,531
	-----
Total expenses	2,165,635
Less: expenses waived by the Adviser	
(see Note B)	(633,490)
	-----
Net expenses	1,532,145
	-----
Net investment income	11,516,807
	-----
Realized and Unrealized Gain (Loss)	
on Investment Transactions	
Net realized gain (loss) on:	
Investment transactions	(149,934)

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Futures	370,705
Swaps	75,920
Net change in unrealized appreciation/depreciation of:	
Investments	(464,502)
Futures	(394,085)
Swaps	422,286
	-----
Net loss on investment transactions	(139,610)
	-----
Dividends to Auction Preferred Shareholders from	
Net investment income	(2,989,993)
	-----
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	\$ 8,387,204
	=====

See notes to financial statements.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 19

STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

	Six Months Ended April 30, 2006 (unaudited)	Year Ended October 31, 2005
	-----	-----
Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations		
Net investment income	\$ 11,516,807	\$ 23,232,949
Net realized gain on investment transactions	296,691	1,561,795
Net change in unrealized appreciation/depreciation of investments	(436,301)	(2,715,958)
Dividends to Auction Preferred Shareholders from		
Net investment income	(2,989,993)	(4,071,990)
	-----	-----
Net increase in net assets applicable to Common Shareholders resulting from operations	8,387,204	18,006,796
Dividends to Common Shareholders from		
Net investment income	(10,136,700)	(20,389,780)
Common Stock Transactions		
Reinvestment of dividends resulting in the issuance of Common Stock	305,319	-0-
	-----	-----
Total decrease	(1,444,177)	(2,382,984)
Net Assets Applicable to Common Shareholders		
Beginning of period	314,716,131	317,099,115
	-----	-----
End of period (including undistributed		

# Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

net investment income of \$2,075,787 and \$3,685,673, respectively)	\$ 313,271,954 =====	\$ 314,716,131 =====
--	-------------------------	-------------------------

See notes to financial statements.

20 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

NOTES TO FINANCIAL STATEMENTS  
April 30, 2006 (unaudited)

NOTE A  
Significant Accounting Policies

Alliance National Municipal Income Fund, Inc. (the "Fund"), was incorporated in the state of Maryland on November 9, 2001 and is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles which requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

## 1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Fund's Board of Directors.

In general, the market value of securities which are readily available and deemed reliable are determined as follows. Securities listed on a national securities exchange or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the mean of the closing bid and asked prices on such day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities not listed on an exchange but traded on The NASDAQ Stock Market, Inc. ("NASDAQ") are valued in accordance with the NASDAQ Official Closing Price; listed put or call options are valued at the last sale price. If there has been no sale on that day, such securities will be valued at the closing bid prices on that day; open futures contracts and options thereon are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; securities traded in the over-the-counter market, ("OTC") (but excluding securities traded on NASDAQ) are valued at the mean of the current bid and asked prices as reported by the National Quotation Bureau or other comparable sources; U.S. Government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less; or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days; fixed-income securities, including mortgage backed and asset backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker/dealers. In cases where

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 21

broker/dealer quotes are obtained, AllianceBernstein L.P. (prior to February 24, 2006 known as Alliance Capital Management L.P.) (the "Adviser") may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted price on a security; and OTC and other derivatives are valued on the basis of a quoted bid price or spread from a major broker/dealer in such security.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Fund may use fair value pricing for securities primarily traded in non-U.S. markets because, most foreign markets close well before the Fund values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities.

### 2. Taxes

It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required.

### 3. Investment Income and Investment Transactions

Interest income is accrued daily. Investment transactions are accounted for on the trade date the securities are purchased or sold. Investment gains and losses are determined on the identified cost basis. The Fund amortizes premiums and accretes original issue discounts and market discounts as adjustments to interest income.

### 4. Dividends and Distributions

Dividends and distributions to shareholders, if any, are recorded on the ex-dividend date. Income dividends and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. generally accepted accounting principles. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

#### NOTE B

##### Advisory Fee and Other Transactions with Affiliates

Under the terms of an investment advisory agreement, the Fund pays the Adviser an advisory fee at an annual rate of .65 of 1% of the Fund's average daily net assets applicable to common and preferred shareholders. Such fee is accrued daily

22 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

and paid monthly. The Adviser has voluntarily agreed to waive a portion of its

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

fees or reimburse the Fund for expenses in the amount of 0.25% of the Fund's average daily net assets applicable to common and preferred shareholders for the first 5 full years of the Fund's operations, 0.20% of the Fund's average daily net assets applicable to common and preferred shareholders in year 6, 0.15% in year 7, 0.10% in year 8, and 0.05% in year 9. For the six months ended April 30, 2006, which is year 5 of operations, the amount of such fees waived was \$633,490.

Under the terms of a Shareholder Inquiry Agency Agreement with AllianceBernstein Investor Services, Inc. (prior to February 24, 2006 known as Alliance Global Investor Services, Inc.) ("ABIS"), an affiliate of the Adviser, the Fund reimburses ABIS for costs relating to servicing phone inquiries for the Fund. During the six months ended April 30, 2006, there was no reimbursement paid to ABIS.

### NOTE C

#### Investment Transactions

Purchases and sales of investment securities (excluding short-term investments) for the six months ended April 30, 2006, were as follows:

	Purchases	Sales
Investment securities (excluding U.S. government securities)	\$ 23,672,686	\$ 23,201,365
U.S. government securities	-0-	-0-

The cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes. Accordingly, gross unrealized appreciation and unrealized depreciation (excluding swap transactions) are as follows:

Gross unrealized appreciation	\$ 22,072,225
Gross unrealized depreciation	(534,179)
Net unrealized appreciation	\$ 21,538,046

#### 1. Swap Agreements

The Fund may enter into swaps to hedge its exposure to interest rates and credit risk or for investment purposes. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the net interim payment to be received

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 23

by the Fund, and/or the termination value at the end of the contract. Therefore, the Fund considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in interest rates or in the value of the underlying securities.

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

As of November 1, 2003, the Fund has adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. The Fund accrues for the interim payments on swap contracts on a daily basis, with the net amount recorded within unrealized appreciation/depreciation of swap contracts on the statement of assets and liabilities. Once the interim payments are settled in cash, the net amount is recorded as realized gain/loss on swaps, in addition to realized gain/loss recorded upon the termination of swap contracts on the statement of operations. Prior to November 1, 2003, these interim payments were reflected within interest income/expense in the statement of operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation/depreciation of investments.

### 2. Financial Futures Contracts

The Fund may buy or sell financial futures contracts for the purpose of hedging the portfolio against adverse effects of anticipated movements in the market. The Fund bears the market risk that arises from changes in the value of these financial instruments and the imperfect correlation between movements in the price of the futures contracts and movements in the price of the securities hedged or used for cover.

At the time the Fund enters into a futures contract, the Fund deposits and maintains as collateral an initial margin with the broker, as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. Risks may arise from the potential inability of the counterparty to meet the terms of the contract. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the time it was closed.

#### NOTE D

##### Common Stock

There are 20,491,401 shares of common stock outstanding at April 30, 2006. During the six months ended April 30, 2006, the Fund issued 19,734 shares in connection with the Fund's dividend reinvestment plan. During the year ended October 31, 2005, the Fund did not issue any shares in connection with the Fund's reinvestment plan.

### 24 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

#### NOTE E

##### Preferred Stock

The Fund has authorized, issued and outstanding 7,800 shares of Auction Preferred Stock, consisting of 1,950 shares each of Series M, Series T, Series W and Series TH. The preferred shares have a liquidation value of \$25,000 per share plus accumulated, unpaid dividends. The dividend rate on the Auction Preferred Stock may change generally every 7 days as set by the auction agent for Series M, T, W and TH. The dividend rate on the Series M is 3.60% effective through May 1, 2006. The dividend rate on the Series T is 3.60% effective through May 2, 2006. The dividend rate on the Series W is 3.60% effective through May 3, 2006. The dividend rate on the Series TH is 3.72% effective through May 4, 2006.

At certain times, the Preferred Shares are redeemable by the Fund, in whole or in part, at \$25,000 per share plus accumulated, unpaid dividends.

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Although the Fund will not ordinarily redeem the Preferred Shares, it may be required to redeem shares if, for example, the Fund does not meet an asset coverage ratio required by law or to correct a failure to meet a rating agency guideline in a timely manner. The Fund voluntarily may redeem the Preferred Shares in certain circumstances.

The Preferred Shareholders, voting as a separate class, have the right to elect at least two Directors at all times and to elect a majority of the Directors in the event two years' dividends on the Preferred Shares are unpaid. In each case, the remaining Directors will be elected by the Common Shareholders and Preferred Shareholders voting together as a single class. The Preferred Shareholders will vote as a separate class on certain other matters as required under the Fund's Charter, the Investment Company Act of 1940 and Maryland law.

### NOTE F

#### Distributions To Common Shareholders

The tax character of distributions to be paid for the year ending October 31, 2006 will be determined at the end of the current fiscal year. The tax character of distributions paid to common shareholders during the fiscal years ended October 31, 2005 and October 31, 2004 were as follows:

	2005 =====	2004 =====
Distributions paid from:		
Ordinary income	\$ 42,667	\$ 75,220
Tax exempt income	20,347,113	20,243,067
	-----	-----
Total distributions paid	\$ 20,389,780	\$ 20,318,287
	=====	=====

#### ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 25

As of October 31, 2005, the components of accumulated earnings/(deficit) applicable to common shareholders on a tax basis were as follows:

Undistributed tax exempt income	\$ 3,739,296
Accumulated capital and other losses	(1,454,343) (a)
Unrealized appreciation/(depreciation)	22,209,130 (b)
	-----
Total accumulated earnings/(deficit)	\$ 24,494,083 (c)
	-----

(a) On October 31, 2005, the Fund had a net capital loss carryforward of \$1,454,343 of which \$1,444,137 expires in the year 2011, and \$10,206 expires in the year 2012. To the extent future capital gains are offset by capital loss carryforward, such gains will not be distributed. During the fiscal year ended October 31, 2005, the Fund utilized capital loss carryforwards of \$2,385,306.

(b) The differences between book-basis and tax-basis unrealized appreciation/(depreciation) are attributed primarily to the difference between the book and tax treatment of swap income and the realization for tax purposes of gain/losses on certain derivative instruments.

(c) The difference between book-basis and tax-basis components of accumulated earnings/(deficit) is attributable primarily to dividends payable.

### NOTE G

#### Risks Involved in Investing in the Fund



## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Interest Rate Risk and Credit Risk--Interest rate risk is the risk that changes in interest rates will affect the value of the Fund's investments in fixed-income debt securities such as bonds or notes. Increases in interest rates may cause the value of the Fund's investments to decline. Credit risk is the risk that the issuer or guarantor of a debt security, or the counterparty to a derivative contract, will be unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit risk rating. Credit risk is greater for medium quality and lower-rated securities. Lower-rated debt securities and similar unrated securities (commonly known as "junk bonds") have speculative elements or are predominantly speculative risks.

Indemnification Risk--In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote.

### NOTE H

#### Legal Proceedings

As has been previously reported, the staff of the U.S. Securities and Exchange Commission ("SEC") and the Office of the New York Attorney General ("NYAG") have been investigating practices in the mutual fund industry identified as "market timing" and "late trading" of mutual fund shares. Certain other regulatory authorities have also been conducting investigations into these practices within the industry and have requested that the Adviser provide information

#### 26 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

to them. The Adviser has been cooperating and will continue to cooperate with all of these authorities. The shares of the Fund are not redeemable by the Fund, but are traded on an exchange at prices established by the market. Accordingly, the Fund and its shareholders are not subject to the market timing and late trading practices that are the subject of the investigations mentioned above or the lawsuits described below. Please see below for a description of the agreements reached by the Adviser and the SEC and NYAG in connection with the investigations mentioned above.

Numerous lawsuits have been filed against the Adviser and certain other defendants in which plaintiffs make claims purportedly based on or related to the same practices that are the subject of the SEC and NYAG investigations referred to above. Some of these lawsuits name the Fund as a party. The lawsuits are now pending in the United States District Court for the District of Maryland pursuant to a ruling by the Judicial Panel on Multidistrict Litigation transferring and centralizing all of the mutual funds involving market and late trading in the District of Maryland (the "Mutual Fund MDL"). Management of the Adviser believes that these private lawsuits are not likely to have a material adverse effect on the results of operations or financial condition of the Fund.

On December 18, 2003, the Adviser confirmed that it had reached terms with the SEC and the NYAG for the resolution of regulatory claims relating to the practice of "market timing" mutual fund shares in some of the AllianceBernstein Mutual Funds. The agreement with the SEC is reflected in an Order of the Commission ("SEC Order"). The agreement with the NYAG is memorialized in an Assurance of Discontinuation dated September 1, 2004 ("NYAG Order"). Among the key provisions of these agreements are the following:

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

(i) The Adviser agreed to establish a \$250 million fund (the "Reimbursement Fund") to compensate mutual fund shareholders for the adverse effects of market timing attributable to market timing relationships described in the SEC Order. According to the SEC Order, the Reimbursement Fund is to be paid, in order of priority, to fund investors based on (i) their aliquot share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by such fund during the period of such market timing;

(ii) The Adviser agreed to reduce the advisory fees it receives from some of the AllianceBernstein long-term, open-end retail funds, commencing January 1, 2004, for a period of at least five years; and

(iii) The Adviser agreed to implement changes to its governance and compliance procedures. Additionally, the SEC Order contemplates that the Adviser's registered investment company clients, including the Fund, will introduce governance and compliance changes.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 27

The shares of the Fund are not redeemable by the Fund, but are traded on an exchange at prices established by the market. Accordingly, the Fund and its shareholders are not subject to the market timing practices described in the SEC Order and are not expected to participate in the Reimbursement Fund. Since the Fund is a closed-end fund, it will not have its advisory fee reduced pursuant to the terms of the agreements mentioned above.

On February 10, 2004, the Adviser received (i) a subpoena duces tecum from the Office of the Attorney General of the State of West Virginia and (ii) a request for information from West Virginia's Office of the State Auditor, Securities Commission (the "West Virginia Securities Commissioner") (together, the "Information Requests"). Both Information Requests require the Adviser to produce documents concerning, among other things, any market timing or late trading in the Adviser's sponsored mutual funds. The Adviser responded to the Information Requests and has been cooperating fully with the investigation.

On April 11, 2005, a complaint entitled The Attorney General of the State of West Virginia v. AIM Advisors, Inc., et al. ("WVAG Complaint") was filed against the Adviser, Alliance Capital Management Holding L.P. ("Alliance Holding"), and various other defendants not affiliated with the Adviser. The WVAG Complaint was filed in the Circuit Court of Marshall County, West Virginia by the Attorney General of the State of West Virginia. The WVAG Complaint makes factual allegations generally similar to those in certain of the complaints related to the lawsuits discussed above. On October 19, 2005, the WVAG Complaint was transferred to the Mutual Fund MDL.

On August 30, 2005, the deputy commissioner of securities of the West Virginia Securities Commissioner signed a Summary Order to Cease and Desist, and Notice of Right to Hearing addressed to the Adviser and Alliance Holding. The Summary Order claims that the Adviser and Alliance Holding violated the West Virginia Uniform Securities Act, and makes factual allegations generally similar to those in the SEC Order and the NYAG Order. On January 26, 2006, the Adviser, Alliance Holding, and various unaffiliated defendants filed a Petition for Writ of Prohibition and Order Suspending Proceedings in West Virginia state court seeking to vacate the Summary Order and for other relief. On April 12, 2006, respondents' petition was denied. On May 4, 2006, respondents appealed the court's determination.

On June 22, 2004, a purported class action complaint entitled Aucoin, et al. v. Alliance Capital Management L.P., et al. ("Aucoin Complaint") was filed against

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

the Adviser, Alliance Capital Management Holding L.P., Alliance Capital Management Corporation, AXA Financial, Inc., AllianceBernstein Investment Research & Management, Inc., certain current and former directors of the AllianceBernstein Mutual Funds, and unnamed Doe defendants. The Aucoin Complaint names certain of the AllianceBernstein mutual funds as nominal

28 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

defendants. The Fund was not named as a defendant in the Aucoin Complaint. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of an AllianceBernstein mutual fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with the Adviser, including recovery of all fees paid to the Adviser pursuant to such contracts, an accounting of all fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

Since June 22, 2004, nine additional lawsuits making factual allegations substantially similar to those in the Aucoin Complaint were filed against the Adviser and certain other defendants. All nine of the lawsuits (i) were brought as class actions filed in the United States District Court for the Southern District of New York, (ii) assert claims substantially identical to the Aucoin Complaint, and (iii) are brought on behalf of shareholders of the Funds.

On February 2, 2005, plaintiffs filed a consolidated amended class action complaint ("Aucoin Consolidated Amended Complaint") that asserts claims substantially similar to the Aucoin Complaint and the nine additional lawsuits referenced above. On October 19, 2005, the District Court dismissed each of the claims set forth in the Aucoin Consolidated Amended Complaint, except for plaintiffs' claim under Section 36(b) of the Investment Company Act. On January 11, 2006, the District Court granted defendants' motion for reconsideration and dismissed the remaining Section 36(b) claim. On May 31, 2006 the District Court denied plaintiffs' motion for leave to file an amended complaint.

The Adviser believes that these matters are not likely to have a material adverse effect on the Fund or the Adviser's ability to perform advisory services relating to the Fund.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 29

### FINANCIAL HIGHLIGHTS

Selected Data For A Share Of Common Stock Outstanding Throughout Each Period

Six Months  
Ended  
April 30,

Year Ended October 31,

January 28,  
2002 (b) to

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

	2006 (unaudited)	2005	2004 (a)	2003	October 31, 2002
Net asset value, beginning of period	\$ 15.37	\$ 15.49	\$ 15.02	\$ 14.81	\$ 14.33
Income from Investment Operations					
Net investment income (c) (d)	.56	1.13	1.16	1.19	.74
Net realized and unrealized gain (loss) on investment transactions	.01	(.05)	.42	.03	.60
Dividends to preferred shareholders from net investment income (common stock equivalent basis)	(.15)	(.20)	(.12)	(.13)	(.08)
Net increase in net asset value from operations	.42	.88	1.46	1.09	1.26
Less: Dividends to common shareholders from					
Net investment income	(.50)	(1.00)	(.99)	(.87)	(.64)
Common stock offering costs	-0-	-0-	-0-	-0-	(.03)
Preferred stock offering costs and sales load	-0-	-0-	-0-	(.01)	(.11)
Net asset value, end of period	\$ 15.29	\$ 15.37	\$ 15.49	\$ 15.02	\$ 14.81
Market value, end of period	\$ 16.00	\$ 14.78	\$ 14.18	\$ 13.71	\$ 13.48
Premium (Discount)	4.64%	(3.84)%	(8.46)%	(8.72)%	(8.98)%
Total Return					
Total investment return based on: (e)					
Market value	11.80%	11.57%	11.01%	8.36%	(5.92)%
Net asset value	2.74%	6.21%	10.69%	8.05%	8.14%
Ratios/Supplemental Data:					
Net assets applicable to common shareholders, end of period (000's omitted)	\$313,272	\$314,716	\$317,099	\$307,560	\$303,258
Preferred Stock, at redemption value (\$25,000 per share liquidation preference) (000's omitted)	\$195,000	\$195,000	\$195,000	\$195,000	\$195,000
Ratio to average net assets applicable to common shareholders of:					
Expenses, net of fee waivers (f)	.98% (g)	.97%	.97%	.95%	.95% (g)
Expenses, before fee waivers (f)	1.38% (g)	1.37%	1.38%	1.36%	1.33% (g)
Net investment income, before preferred stock dividends (d) (f)	7.35% (g)	7.29%	7.63%	7.88%	6.73% (g)
Preferred stock dividends	1.91% (g)	1.28%	.80%	.89%	.76% (g)
Net investment income, net of preferred stock dividends (d)	5.44% (g)	6.01%	6.84%	6.99%	5.97% (g)
Portfolio turnover rate	5%	18%	14%	11%	13%
Asset coverage ratio	261%	261%	263%	258%	255%

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

See footnote summary on page 31.

30 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

(a) As of November 1, 2003, the Fund has adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. These interim payments are reflected within net realized and unrealized gain (loss) on swap contracts, however, prior to November 1, 2003, these interim payments were reflected within interest income/expense on the statement of operations. For the year ended October 31, 2004, the effect of this change to the net investment income and the net realized and unrealized gain (loss) on investment transactions was less than \$0.01 per share and the ratio of net investment income to average net assets was .00%.

(b) Commencement of operations. Net asset value immediately after the closing of the first public offering was \$14.30.

(c) Based on average shares outstanding.

(d) Net of fees waived by the Adviser.

(e) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of the period. Total investment return calculated for a period of less than one year is not annualized.

(f) These expense and net investment income ratios do not reflect the effect of dividend payments to preferred shareholders.

(g) Annualized.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 31

The Annual Meeting of Stockholders of Alliance National Municipal Income Fund, common stock, was held on March 29, 2006. The results of this tabulation are as follows:

		Voted For	Authority Withheld
1.	Election of Directors		
	Class Two Nominee		
	(term expires 2008):		
	D. James Guzy	18,959,129	320,264
	Class Three Nominees		
	(terms expire 2008):		

Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

Marc O. Mayer	18,970,535	308,858
Marshall C. Turner Jr.	18,975,299	304,094

The Annual Meeting of Stockholders of Alliance National Municipal Income Fund, preferred stock, was held on March 29, 2006. The results of this tabulation are as follows:

	Voted For	Authority Withheld
1. Election of Directors		
Class One Nominees (terms expire 2007):		
John H. Dobkin	7,251	573
Michael J. Downey	7,251	573
Class Two Nominee (term expires 200)		
D. James Guzy	7,251	573
Class Three Nominees (terms expire 2008):		
Marc O. Mayer	7,251	573
Marshall C. Turner Jr.	7,251	573

32 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

BOARD OF DIRECTORS

William H. Foulk, Jr.(1), Chairman  
 Marc O. Mayer, President  
 David H. Dievler(1)  
 John H. Dobkin(1)  
 Michael J. Downey(1)  
 D. James Guzy(1)  
 Nancy P. Jacklin(1)  
 Marshall C. Turner, Jr.(1)

OFFICERS

Robert B. Davidson, III, Senior Vice President  
 Philip L.Kirstein, Senior Vice President and Independent Compliance Officer  
 Douglas J. Peebles, Senior Vice President  
 Jeffrey S. Phlegar, Senior Vice President  
 Michael G. Brooks, Vice President  
 Fred S. Cohen, Vice President  
 Terrance T. Hults, Vice President  
 Emilie D. Wrapp, Secretary  
 Mark D. Gersten, Treasurer and Chief Financial Officer  
 Thomas R. Manley, Controller

Custodian

State Street Bank & Trust Company  
 One Lincoln Street  
 Boston, MA 02111

Legal Counsel

Seward & Kissel LLP

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

One Battery Park Plaza  
New York, NY 10004

Preferred Stock:  
Dividend Paying Agent, Transfer  
Agent and Registrar

The Bank of New York  
100 Church Street  
New York, NY 10286

Independent Registered Public  
Accounting Firm

Ernst & Young LLP  
5 Times Square  
New York, NY 10036

Common Stock:  
Dividend Paying Agent,  
Transfer Agent and Registrar

Computershare Trust Company, N.A.  
P.O. Box 43011  
Providence, RI 02940-3011

(1) Member of the Audit Committee, the Governance and Nominating Committee, and the Independent Directors Committee.

(2) The day-to-day management of and investment decisions for the Fund are made by the Municipal Bond Investment Team. The investment professionals with the most significant responsibility for the day-to-day management of the Fund's portfolio are: Michael G. Brooks, Fred S. Cohen, Robert B. Davidson III and Terrance T. Hults.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its Common Stock in the open market.

This report, including the financial statements therein, is transmitted to the shareholders of Alliance National Municipal Income Fund for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.

Annual Certifications--As required, on April 20, 2006, the Fund submitted to the New York Stock Exchange ("NYSE") the annual certification of the Fund's Chief Executive Officer certifying that he is not aware of any violation of the NYSE's Corporate Governance listing standards. The Fund also has included the certifications of the Fund's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Fund's Form N-CSR filed with the Securities and Exchange Commission for the annual period.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 33

Information Regarding the Review and Approval of the Fund's Advisory Agreement

The Fund's disinterested directors (the "directors") unanimously approved the

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

continuance of the Advisory Agreement between the Fund and the Adviser at a meeting held on December 14, 2005.

In preparation for the meeting, the directors had requested from the Adviser and received and evaluated extensive materials, including performance and expense information for other investment companies with similar investment objectives as the Fund derived from data compiled by Lipper Inc. ("Lipper"), which is not affiliated with the Adviser. Prior to voting, the directors reviewed the proposed continuance of the Advisory Agreement with management and with experienced counsel who are independent of the Adviser and received a memorandum from such counsel discussing the legal standards for their consideration of the proposed continuance. The directors also discussed the proposed continuance in four private sessions at which only the directors, their independent counsel and the Fund's Independent Compliance Officer were present. In reaching their determinations relating to continuance of the Advisory Agreement, the directors considered all factors they believed relevant, including the following:

1. information comparing the performance of the Fund to other investment companies with similar investment objectives and to an index;
2. the nature, extent and quality of investment, compliance, administrative and other services rendered by the Adviser;
3. payments received by the Adviser from all sources in respect of the Fund and all investment companies in the AllianceBernstein Funds complex;
4. the costs borne by, and profitability of, the Adviser and its affiliates in providing services to the Fund and to all investment companies in the AllianceBernstein Funds complex;
5. comparative fee and expense data for the Fund and other investment companies with similar investment objectives;
6. the extent to which economies of scale would be realized to the extent the Fund grows and whether fee levels reflect any economies of scale for the benefit of investors;
7. the Adviser's policies and practices regarding allocation of portfolio transactions of the Fund, including the extent to which the Adviser benefits from soft dollar arrangements;

34 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

8. portfolio turnover rates for the Fund compared to other investment companies with similar investment objectives;
9. fall-out benefits that the Adviser and its affiliates receive from their relationships with the Fund;
10. the Adviser's representation that there are no institutional products managed by the Adviser which have a substantially similar investment style as the Fund;
11. the professional experience and qualifications of the Fund's portfolio management team and other senior personnel of the Adviser; and
12. the terms of the Advisory Agreement.

The directors also considered their knowledge of the nature and quality of the



## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

services provided by the Adviser to the Fund gained from their experience as directors or trustees of most of the registered investment companies advised by the Adviser, their overall confidence in the Adviser's integrity and competence they have gained from that experience and the Adviser's responsiveness to concerns raised by them in the past, including the Adviser's willingness to consider and implement organizational and operational changes designed to improve investment results and the services provided to the AllianceBernstein Funds.

In their deliberations, the directors did not identify any particular information that was all-important or controlling, and the directors attributed different weights to the various factors.

The directors determined that the overall arrangements between the Fund and the Adviser, as provided in the Advisory Agreement, were fair and reasonable in light of the services performed, expenses incurred and such other matters as the directors considered relevant in the exercise of their business judgment.

The material factors and conclusions that formed the basis for the directors reaching their determinations to approve the continuance of the Advisory Agreement, including their determinations that the Adviser should continue to be the investment adviser for the Fund and that the fees payable to the Adviser pursuant to the Advisory Agreement are appropriate, were separately discussed by the directors.

Nature, extent and quality of services provided by the Adviser

The directors noted that, under the Advisory Agreement, the Adviser, subject to the oversight of the directors, administers the Fund's business and other affairs. The Adviser manages the investment of the assets of the Fund, including making purchases and sales of portfolio securities consistent with the Fund's investment

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 35

objective and policies. The Adviser also provides the Fund with such office space, administrative and other services (exclusive of, and in addition to, any such services provided by any others retained by the Fund) and executive and other personnel as are necessary for the Fund's operations. The Adviser pays all of the compensation of directors of the Fund who are affiliated persons of the Adviser and of the officers of the Fund.

The directors also considered that a provision in the Advisory Agreement for the Fund provides that the Fund will reimburse the Adviser for the cost of certain clerical, accounting, administrative and other services provided at the Fund's request by employees of the Adviser or its affiliates. The directors noted that no reimbursements had been made to date by the Fund to the Adviser as no requests for such reimbursements had been made. Requests for these "at no more than cost" reimbursements are approved by the directors on a quarterly basis for most of the open-end AllianceBernstein funds and result in a higher rate of total compensation from the funds to the Adviser than the stated fee rates in the funds' advisory agreements.

The directors considered the scope and quality of services provided by the Adviser under the Advisory Agreement and noted that the scope of services provided by advisers had expanded over time as a result of regulatory and other developments. The directors noted, for example, that the Adviser is responsible for maintaining and monitoring its own and, to varying degrees, the Fund's compliance programs, and that these compliance programs have recently been refined and enhanced in light of new regulatory requirements. The directors

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

considered the quality of the in-house investment research capabilities of the Adviser and the other resources it has dedicated to performing services for the Fund. The quality of administrative and other services, including the Adviser's role in coordinating the activities of the Fund's other service providers, also were considered. The directors also considered the Adviser's response to recent regulatory compliance issues affecting a number of the investment companies in the AllianceBernstein Funds complex. The directors concluded that, overall, they were satisfied with the nature, extent and quality of services provided to the Fund under the Advisory Agreement.

### Costs of Services Provided and Profitability to the Adviser

The directors reviewed a schedule of the revenues, expenses and related notes indicating the profitability of the Fund to the Adviser for calendar years 2003 and 2004. The directors also reviewed information in respect of 2004 that had been prepared with an updated expense allocation methodology. The directors noted that the updated expense allocation methodology would be used to prepare profitability information for 2005, and that it differed in various respects from the methodology used in prior years. The directors reviewed the assumptions and methods of allocation used by the Adviser in preparing fund-specific profitability data, and noted the Adviser's representation to them that it believed that the

### 36 o Alliance National Municipal Income Fund

methods of allocation used in preparing the profitability information were reasonable and appropriate and that the Adviser had previously discussed with the directors that there is no generally accepted allocation methodology for information of this type.

The directors recognized that it is difficult to make comparisons of profitability from fund advisory contracts because comparative information is not generally publicly available and is affected by numerous factors, including the structure of the particular adviser, the types of funds it manages, its business mix, numerous assumptions regarding allocations and the adviser's capital structure and cost of capital. In considering profitability information, the directors considered the effect of fall-out benefits on the Adviser's expenses. The directors focused on the profitability of the Adviser's relationship with the Fund before taxes. The directors recognized that the Adviser should generally be entitled to earn a reasonable level of profits for the services it provides to the Fund and, based on their review, concluded that they were satisfied that the Adviser's level of profitability from its relationship with the Fund was not excessive.

### Fall-Out Benefits

The directors considered that the Adviser benefits from soft dollar arrangements whereby it receives brokerage and research services from many of the brokers and dealers that execute purchases and sales of securities on behalf of its clients on an agency basis. The directors noted that since the Fund does not engage in brokerage transactions, the Adviser does not receive soft dollar benefits in respect of portfolio transactions of the Fund. The directors also noted that a subsidiary of the Adviser provides certain shareholder services to the Fund and receives compensation from the Fund for such services.

The directors recognized that the Adviser's profitability would be somewhat lower if the Adviser's subsidiary did not receive the benefits described above. The directors understood that the Adviser also might derive reputational and other benefits from its association with the Fund.

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

### Investment Results

In addition to the information reviewed by the directors in connection with the meeting, the directors receive detailed comparative performance information for the Fund at each regular Board meeting during the year. At the meeting, the directors reviewed information prepared by Lipper showing performance of the Fund as compared to a group of 15 funds in its Lipper category selected by Lipper (the "Performance Group") for periods ended September 30, 2005 over the 1- and 3-year periods. Performance information for a larger universe of funds in its Lipper category selected by Lipper was not provided by Lipper in light of the relatively small size of the Fund's Lipper category. The directors also reviewed information prepared by the Adviser showing performance of the Fund as compared to the Lehman Brothers Municipal Bond Index (the "Index") for

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 37

periods ended September 30, 2005 over the year to date ("YTD"), 1- and 3-year and since inception periods (January 2002 inception). The directors noted that in the Performance Group comparison the Fund was in the 2nd quintile in the 1-year period and in the 3rd quintile in the 3-year period. The directors further noted that the Fund significantly outperformed the Index in all periods reviewed. The directors noted that the Fund utilizes leverage whereas the Index is not leveraged. Based on their review, the directors concluded that the Fund's relative performance over time was satisfactory.

### Advisory Fees and Other Expenses

The directors considered the latest fiscal period actual advisory fees paid by the Fund to the Adviser and information prepared by Lipper concerning fee rates paid by other funds in the same Lipper category as the Fund. The directors also took into account their general knowledge of advisory fees paid by open-end and closed-end funds that invest in fixed-income municipal securities. The directors recognized that it is difficult to make comparisons of advisory fees because there are variations in the services that are included in the fees paid by other funds.

The directors noted that in connection with the settlement of the market timing matter with the New York Attorney General, the Adviser agreed to material reductions (averaging 20%) in the fee schedules of most of the open-end funds sponsored by the Adviser (other than money market funds). As a result of that settlement, the Adviser's fees (i) for managing open-end high income funds are .50% of the first \$2.5 billion of average daily net assets, .45% for average daily net assets over that level to \$5 billion, and .40% for average daily net assets over \$5 billion; and (ii) for managing open-end low risk income funds are .45% of the first \$2.5 billion of average daily net assets, .40% for average daily net assets over that level to \$5 billion, and .35% for average daily net assets over \$5 billion. The directors noted that each of these fee schedules, if applied to the Fund, would result in a lower fee rate than that paid by the Fund pursuant to the Advisory Agreement.

The Adviser informed the directors that there are no institutional products offered by it that have a substantially similar investment style as the Fund. The directors reviewed information in the Adviser's Form ADV and noted that it charges institutional clients lower fees for advising comparably sized accounts using strategies that differ from those of the Fund but which involve investments in securities of the same type that the Fund invests in (i.e., fixed income municipal). They had previously received an oral presentation from the Adviser that supplemented the information in the Form ADV.

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

The Adviser reviewed with the directors the significant differences in the scope of services it provides to institutional clients and to the Fund. For example, the Advisory Agreement requires the Adviser to provide, in addition to investment

38 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

advice, office facilities and officers (including officers to provide required certifications). The Adviser also coordinates the provision of services to the Fund by non-affiliated service providers and is responsible for the compensation of the Fund's Independent Compliance Officer and certain related expenses. The provision of these non-advisory services involves costs and exposure to liability. The Adviser explained that many of these services normally are not provided to non-investment company clients and that fees charged to the Fund reflect the costs and risks of the additional obligations. In light of these facts, the directors did not place significant weight on these fee comparisons.

The directors noted that at their December 14-16, 2004 meetings, the directors had requested a reduction in the advisory fees of the Fund to the levels in accordance with the fee schedules for open-end funds and deferred renewal of the Fund's Advisory Agreement pending receipt and consideration of their request by the Adviser. At their February 7-10, 2005 meeting, the directors considered the adviser's position that no fee adjustments were warranted.

The directors also considered the total expense ratio of the Fund in comparison to the fees and expenses of funds within two comparison groups created by Lipper: an Expense Group and an Expense Universe. Lipper described an Expense Group as a representative sample of comparable funds and an Expense Universe as a broader group, consisting of all funds in the Fund's investment classification/ objective with a similar load type as the Fund. The expense ratio of the Fund was based on the Fund's latest fiscal year expense ratio. The directors recognized that the expense ratio information for the Fund potentially reflected on the Adviser's provision of services, as the Adviser is responsible for coordinating services provided to the Fund by others. The directors noted that it was likely that the expense ratios of some funds in the Fund's Lipper category were lowered by waivers or reimbursements by those funds' investment advisers, which in some cases were voluntary and perhaps temporary.

The information reviewed by the directors showed that the Fund's latest fiscal period actual advisory fees of 65.0 basis points was significantly lower than the medians for the Expense Group and Expense Universe. The directors noted that Lipper calculates the fee rate based on the Fund's net assets attributable to common stockholders, whereas the Fund's Advisory Agreement provides that fees are computed based on average daily net assets (i.e., including assets supported by the Fund's preferred stock). The directors also noted that the Fund's fee rate reflects a fee waiver arrangement that provides for the waiver amount to be gradually reduced over four years commencing after the fifth full year of operations of the Fund, and that the Fund commenced operations in January 2002. The directors further noted that the Fund's expense ratio was significantly lower than the Expense Group median and materially lower than the Expense Universe median. The directors concluded that the Fund's expense ratio was satisfactory.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 39

Economies of Scale

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

The directors considered that the Fund is a closed-end fund and that it was not expected to have meaningful asset growth as a result. In such circumstances, the directors did not view the potential for realization of economies of scale as the Fund's assets grow to be a material factor in their deliberations. The directors noted that if the Fund's net assets were to increase materially as a result of, e.g., an acquisition or rights offering, they would review whether potential economies of scale would be realized.

40 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

ALLIANCEBERNSTEIN FAMILY OF FUNDS

-----  
Wealth Strategies Funds  
-----

Balanced Wealth Strategy  
Wealth Appreciation Strategy  
Wealth Preservation Strategy  
Tax-Managed Balanced Wealth Strategy  
Tax-Managed Wealth Appreciation Strategy  
Tax-Managed Wealth Preservation Strategy  
-----

Blended Style Funds  
-----

U.S. Large Cap Portfolio  
International Portfolio  
Tax-Managed International Portfolio  
-----

Growth Funds  
-----

Domestic

Growth Fund  
Mid-Cap Growth Fund  
Large Cap Growth Fund  
Small Cap Growth Portfolio

Global & International

Global Health Care Fund  
Global Research Growth Fund  
Global Technology Fund  
Greater China '97 Fund  
International Growth Fund\*  
International Research Growth Fund\*  
-----

Value Funds  
-----

Domestic

Balanced Shares  
Focused Growth & Income Fund  
Growth & Income Fund  
Real Estate Investment Fund  
Small/Mid-Cap Value Fund  
Utility Income Fund  
Value Fund

# Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

## Global & International

Global Value Fund  
International Value Fund

---

## Taxable Bond Funds

Global Government Income Trust\*  
Corporate Bond Portfolio  
Emerging Market Debt Fund  
Global Strategic Income Trust  
High Yield Fund  
Multi-Market Strategy Trust  
Intermediate Bond Portfolio\*  
Short Duration Portfolio  
U.S. Government Portfolio

---

## Municipal Bond Funds

National	Michigan
Insured National	Minnesota
Arizona	New Jersey
California	New York
Insured California	Ohio
Florida	Pennsylvania
Massachusetts	Virginia

---

## Intermediate Municipal Bond Funds

Intermediate California  
Intermediate Diversified  
Intermediate New York

---

## Closed-End Funds

All-Market Advantage Fund  
ACM Income Fund  
ACM Government Opportunity Fund  
ACM Managed Dollar Income Fund  
ACM Managed Income Fund  
ACM Municipal Securities Income Fund  
California Municipal Income Fund  
National Municipal Income Fund  
New York Municipal Income Fund  
The Spain Fund  
World Dollar Government Fund  
World Dollar Government Fund II

---

## Retirement Strategies Funds

2000 Retirement Strategy  
2005 Retirement Strategy  
2010 Retirement Strategy  
2015 Retirement Strategy  
2020 Retirement Strategy  
2025 Retirement Strategy  
2030 Retirement Strategy  
2035 Retirement Strategy  
2040 Retirement Strategy  
2045 Retirement Strategy

## Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

We also offer Exchange Reserves,\*\* which serves as the money market fund exchange vehicle for the AllianceBernstein mutual funds.

For more complete information on any AllianceBernstein mutual fund, including investment objectives and policies, sales charges, expenses, risks and other matters of importance to prospective investors, visit our web site at [www.alliancebernstein.com](http://www.alliancebernstein.com) or call us at (800) 227-4618 for a current prospectus. You should read the prospectus carefully before you invest.

\* On July 8, 2005, New Europe Fund merged into International Research Growth Fund. Prior to February 1, 2006, Global Government Income Trust was named Americas Government Income Trust and Intermediate Bond Portfolio was named Quality Bond Portfolio.

\*\* An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 41

### SUMMARY OF GENERAL INFORMATION

#### Shareholder Information

Daily market prices for the Fund's shares are published in the New York Stock Exchange Composite Transaction section of The Wall Street Journal under the abbreviation "Alliance NA." The Fund's NYSEtrading symbol is "AFB". Weekly comparative net asset value (NAV) and market price information about the Fund is published each Monday in The Wall Street Journal, each Sunday in The New York Times and each Saturday in Barron's and other newspapers in a table called "Closed-End Bond Funds."

#### Dividend Reinvestment Plan

A Dividend Reinvestment Plan provides automatic reinvestment of dividends and capital gains in additional Fund shares.

For questions concerning shareholder account information, or if you would like a brochure describing the Dividend Reinvestment Plan, please call Equiserve Trust Company at (800) 219-4218.

42 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

### NOTES

ALLIANCE NATIONAL MUNICIPAL INCOME FUND o 43

### NOTES

44 o ALLIANCE NATIONAL MUNICIPAL INCOME FUND

# Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

ALLIANCE NATIONAL MUNICIPAL INCOME FUND  
1345 Avenue of the Americas  
New York, NY 10105  
(800) 221-5672

[LOGO]  
ALLIANCEBERNSTEIN  
INVESTMENTS

ANMIF-0152-0406

## ITEM 2. CODE OF ETHICS.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 6. SCHEDULE OF INVESTMENTS.

Please see Schedule of Investments contained in the Report to Shareholders included under Item 1 of this Form N-CSR.

## ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable when filing a semi-annual report to shareholders.

## ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

There have been no purchases of equity securities by the Fund or by affiliated parties for the reporting period.

## ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Directors since the Fund last provided disclosure in response to this item.

## ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended) are effective at the reasonable assurance level based on their evaluation of these controls and procedures as of a date within 90 days of the



Edgar Filing: ALLIANCE NATIONAL MUNICIPAL INCOME FUND - Form N-CSRS

filing date of this document.

(b) There were no changes in the registrant's internal controls over financial reporting that occurred during the second fiscal quarter of the period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

The following exhibits are attached to this Form N-CSR:

EXHIBIT NO. -----	DESCRIPTION OF EXHIBIT -----
12 (b) (1)	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12 (b) (2)	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12 (c)	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): Alliance National Municipal Income Fund, Inc.

By: /s/ Marc O. Mayer  
-----  
Marc O. Mayer  
President

Date: June 28, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Marc O. Mayer  
-----  
Marc O. Mayer  
President

Date: June 28, 2006

By: /s/ Mark D. Gersten  
-----  
Mark D. Gersten  
Treasurer and Chief Financial Officer

Date: June 28, 2006