MUNIENHANCED FUND INC
Form N-CSRS
September 30, 2005

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

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05739

Name of Fund: MuniEnhanced Fund, Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive Officer, MuniEnhanced Fund, Inc., 800 Scudders Mill Road, Plainsboro, NJ 08536. Mailing address: P.O. Box 9011, Princeton, NJ 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 01/31/06

Date of reporting period: 02/01/05 - 07/31/05

Item 1 - Report to Stockholders

MuniEnhanced
Fund, Inc.

Semi-Annual Report
July 31, 2005

MuniEnhanced Fund, Inc.

The Benefits and Risks of Leveraging

MuniEnhanced Fund, Inc. utilizes leveraging to seek to enhance the yield and net asset value of its Common Stock. However, these objectives cannot be achieved in all interest rate environments. To leverage, the Fund issues Preferred Stock, which pays dividends at prevailing short-term interest rates, and invests the proceeds in long-term municipal bonds. The interest earned on these investments, net of dividends to Preferred Stock, is paid to Common Stock shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share net asset value of the Fund's Common Stock. However, in order to benefit Common Stock shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. At the same time, a period of generally declining interest rates will benefit Common Stock shareholders. If either of these conditions change, then the risks of leveraging will begin to outweigh the benefits.

To illustrate these concepts, assume a fund's Common Stock capitalization of $100 million and the issuance of Preferred Stock for an additional $50 million, creating a total value of $150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are approximately 3% and long-term interest rates are approximately 6%, the yield curve has a strongly positive slope. The fund pays dividends on the $50 million of Preferred Stock based on the lower short-term interest rates. At the same time, the fund's total portfolio of $150 million earns the income based on long-term interest rates. Of course, increases in short-term interest rates would reduce (and even eliminate) the dividends on the Common Stock.

In this case, the dividends paid to Preferred Stock shareholders are significantly lower than the income earned on the fund's long-term investments, and therefore the Common Stock shareholders are the beneficiaries of the incremental yield. However, if short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Stock will be reduced or eliminated completely. At the same time, the market value on 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.

As a part of its investment strategy, the Fund may invest in certain securities whose potential income return is inversely related to changes in a floating interest rate ("inverse floaters"). In general, income on inverse floaters will decrease when short-term interest rates increase and increase when short-term interest rates decrease. Investments in inverse floaters may be characterized as derivative securities and may subject the Fund to the risks of reduced or eliminated interest payments and losses on invested principal. In addition, inverse floaters have the effect of providing investment leverage and, as a result, the market value of such securities will generally be more volatile than that of fixed rate, tax-exempt securities. To the extent the Fund invests in inverse floaters, the market value of the Fund's portfolio and the net asset value of the Fund's shares may also be more volatile than if the Fund did not invest in these securities. As of July 31, 2005, the percentage of the Fund's total net assets invested in inverse floaters was 11.89%, before the deduction of Preferred Stock.

Swap Agreements

The Fund may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds, or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

A Letter From the President

Dear Shareholder

We have been referring to 2005 as a "muddle through" year for the financial markets, characterized by positive and negative crosscurrents that have conspired to create a fairly complicated investing environment. Amid these conditions, the major market benchmarks managed to post positive results for the current reporting period, as follows:

Total Returns as of July 31, 2005	6-month	12-month
U.S. equities (Standard & Poor's 500 Index)	+5.45%	+14.05%
Small-cap U.S. equities (Russell 2000 Index)	+9.58%	+24.78%
International equities (MSCI Europe Australasia Far East Index)	+3.76%	+21.06%
Fixed income (Lehman Brothers Aggregate Bond Index)	+0.95%	+ 4.79%
Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)	+1.48%	+ 6.35%
High yield bonds (Credit Suisse First Boston High Yield Index)	+2.16%	+10.19%

On August 9, the Federal Reserve Board (the Fed) increased the federal funds rate for the tenth consecutive time since June 2004, bringing the target short-term interest rate to 3.5%. Just months ago, some observers felt that slowing global economic growth and subdued inflation might cause the Fed to end its monetary tightening campaign. Most recently, however, positive economic news (including a favorable employment report for July and resilient consumer spending) has prompted new concerns that the Fed may increase interest rates more than is necessary to moderate economic growth and keep inflation in check.

After ending 2004 in a strong rally, equity markets fell slightly into negative territory in the first half of 2005. July, however, brought the strongest monthly gain of the calendar year and helped to boost equity market returns for the current reporting period. Working in favor of equities have been surprisingly strong corporate earnings reports and low long-term bond yields. Conversely, continued high oil prices and Fed interest rate hikes have exerted downward pressure on stocks.

In the fixed income markets, the yield curve flattened considerably as short-term rates rose in concert with the Fed rate hikes and long-term bond yields fell. Over the past 12 months, the two-year Treasury yield rose 134 basis points (1.34%) to 4.02% while the 10-year Treasury yield declined 22 basis points to 4.28% -- making the spread between the two just 26 basis points. At period-end, the 10-year Treasury yield finally appeared to be on a slow upward trend after falling below 4% in June.

Financial markets are likely to face continued crosscurrents for the remainder of 2005. Nevertheless, opportunities do exist and we encourage you to work with your financial advisor to diversify your portfolio among a variety of asset types. This can help to diffuse risk while also tapping into the potential benefits of a broader range of investment alternatives. As always, we thank you for trusting Merrill Lynch Investment Managers with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

/s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.
President and Director

A Discussion With Your Fund's Portfolio Manager

The Fund outperformed its comparable Lipper category average and continued to provide shareholders with an above-average dividend throughout the six-month period.

Discuss the recent market environment relative to municipal bonds.

Over the past six months, long-term bond yields generally moved lower as their prices, which move in the opposite direction, increased. In the meantime, the Federal Reserve Board (the Fed) continued to raise short-term interest rates at each of its meetings during the period, lifting the federal funds target to 3.25% by period-end (and to 3.5% on August 9). As shorter-term interest rates moved higher in concert with Fed interest rate hikes and longer-term bond yields declined, the result was a continued flattening of the yield curve. During the past six months, the 30-year U.S. Treasury bond yield declined 12 basis points (.12%) to 4.47% while the yield on the 10-year Treasury note rose 14 basis points to 4.28%. In keeping with Fed interest rate hikes, the two-year Treasury yield increased a more dramatic 73 basis points.

Tax-exempt bond yields exhibited a similar pattern during the period. Yields on 30-year revenue bonds, as measured by the Bond Buyer Revenue Bond Index, fell 4 basis points to 4.86%. According to Municipal Market Data, yields on AAA-rated bonds maturing in 30 years declined 8 basis points to 4.35% while AAA-rated bonds maturing in 10 years saw their yields rise 18 basis points by July 31, 2005 at 3.66%.

Low tax-exempt bond yields continued to encourage municipalities to issue both new debt and refund outstanding, higher-couponed issues. During the six-month period, more than $222 billion in new municipal bonds was underwritten, an increase of 13.8% compared to issuance during the same six months of 2004. Issuance so far in 2005 has been boosted by nearly a 50% increase in refunding issues, which have been heavily weighted in the 10-year - 20-year maturity range to lower the overall interest cost of the refunding issue. This concentration has put pressure on intermediate tax-exempt bond yields while supporting longer-term bond prices.

Investor demand for municipal product has remained generally positive. According to statistics from the Investment Company Institute, through June 30, 2005, year-to-date net new cash flows into long-term municipal bond funds exceeded $2.5 billion. This represents a significant improvement from the $4.6 billion net outflow seen during the same period in 2004. Recent July weekly figures, as reported by AMG Data Service, also pointed to positive flows. Throughout much of the past six months, higher-yielding tax-exempt bond funds have been the principal target for the new cash inflows. The need to invest these cash flows has led to strong demand for lower-rated issues and a consequent narrowing of credit spreads. Additionally, in the first six months of 2005, we saw an increased percentage of new issues bearing an insurer's guarantee. This further reduced the availability of lower-rated municipal securities, lending more support to higher prices for these issues.

Municipal bond issues have underperformed their taxable counterparts in recent months as U.S. Treasury bonds have enjoyed increased demand from foreign governments, which are unable to benefit from the tax advantage inherent in tax-exempt products. This underperformance, however, has resulted in very attractive tax-exempt bond yield ratios. We believe this should continue to attract investors to the municipal marketplace, especially if new municipal bond issuance remains manageable, as expected.

How did the Fund perform during the period?

For the six-month period ended July 31, 2005, the Common Stock of MuniEnhanced Fund, Inc. had net annualized yields of 6.28% and 6.36%, based on a period-end per share net asset value of $11.76 and a per share market price of $11.60, respectively, and $.366 per share income dividends. Over the same period, the total investment return on the Fund's Common Stock was +2.52%, based on a change in per share net asset value from $11.85 to $11.76, and assuming reinvestment of all distributions.

The Fund's total return, based on net asset value, exceeded the +1.66% average return of the Lipper Insured Municipal Debt Funds (Leveraged) category for the six-month period. (Funds in this Lipper category invest primarily in municipal debt issues insured as to timely payment. These funds can be leveraged via use of debt, preferred equity and/or reverse repurchase agreements.)

Our focus on the long end of the municipal yield curve benefited performance as the curve flattened and longer-maturity bonds significantly outperformed shorter-maturity issues. The Fund's above-average yield also contributed to performance, as did the advance refunding of certain issues. When munici-

pal bonds are refinanced ahead of their maturity date, their prices generally increase sharply. Finally, the Fund continued to benefit from our increased use of leverage, a change we made last year to bring the Fund's borrowing level more in line with that of its peers.

For a description of the Fund's total investment return based on a change in the per share market value of the Fund's Common Stock (as measured by the trading price of the Fund's shares on the New York Stock Exchange), and assuming reinvestment of dividends, please refer to the Financial Highlights section of this report. As a closed-end fund, the Fund's shares may trade in the secondary market at a premium or discount to the Fund's net asset value. As a result, total investment returns based on changes in the market value of the Fund's Common Stock can vary significantly from total investment returns based on changes in the Fund's net asset value.

What changes were made to the portfolio during the period?

We did not significantly alter the Fund's structure or our strategy over the past six months. Although we generally maintained a defensive posture throughout the period, we did take advantage of episodes of market weakness (rising yields and falling prices) to reduce our defensive stance. This does not reflect a change in our underlying thesis. We continue to believe that a conservative interest rate stance is appropriate in an environment where the Fed is raising short-term interest rates and is clearly focused on moving long-term bond yields higher. However, we are well aware that the long end of the curve has not responded as anticipated. Thus, we remained flexible enough to modify our approach, as appropriate, to take advantage of the changing shape of the curve.

Having said that, our theme of moving toward the longer end of the yield curve remained intact. As opportunities presented themselves, we sold bonds in the five-year - 10-year area of the curve in favor of bonds in the 25-year - 30-year range. This strategy continued to be the main driver of performance throughout the period, although that effect declined somewhat as the yield curve continued to flatten. We also have been careful to retain shorter-term bonds in the portfolio that were purchased in a higher-yield environment and provide a meaningful income benefit to the portfolio. Finally, we generally maintained the Fund's fully invested position throughout the period in an effort to enhance the level of income available to shareholders. This allowed the Fund to maintain a stable monthly dividend.

For the six-month period ended July 31, 2005, the Fund's Auction Market Preferred Stock (AMPS) had average yields as follows: Series A, 2.06%; Series B, 2.37%; Series C, 2.21%; and Series D, 2.19%. At this point in the Fed's monetary tightening cycle, interest rate increases are having an impact on the Fund's borrowing costs. The Fed raised the short-term interest rate target 100 basis points during the six-month period. Nevertheless, we are still able to borrow at a lower rate than where we invest, and this has continued to generate an income benefit to the holders of Common Stock. However, should the spread between short-term and long-term interest rates continue to narrow, the benefits of leveraging will decline and, as a result, reduce the yield on the Fund's Common Stock. At the end of the period, the Fund's leverage amount, due to AMPS, was 35.13% of total net assets. (For a more complete explanation of the benefits and risks of leveraging, see page 2 of this report to shareholders.)

How would you characterize the Fund's position at the close of the period?

We remain focused on high-quality municipal bonds and continue to favor issues with longer maturities. We maintained a slightly defensive market posture at the close of the period in recognition of generally healthy economic conditions and the Fed's apparent intention to continue increasing interest rates. We believe this positioning prepares the Fund for relative outperformance once long-term market rates eventually begin to follow short-term interest rates higher. In the meantime, our fully invested stance should continue to provide an income benefit to Common Stock shareholders. We will continue to monitor the market in an effort to take advantage of periods of yield volatility and any distortions in supply that may present opportunities to purchase attractively structured bonds.

Michael Kalinoski, CFA
Vice President and Portfolio Manager

August 11, 2005

Special Message to Shareholders

A Municipal Bonds Update in the Aftermath of Hurricane Katrina

Hurricane Katrina caused tremendous human suffering, and the total damage estimates are currently ranging in excess of $50 billion, making it the worst natural disaster to hit the United States. Despite the widespread devastation from the storm, we believe that there should be no long-term negative effect on the credit ratings of state and local governments in Louisiana, Mississippi and Alabama. It is our view that the affected states should recover with no major long-term financial or economic damage. These states possess broad-based economies outside of the areas suffering hurricane destruction, and, as sovereign entities, maintain the exclusive right to collect a broad array of tax revenues.

Given the extent of the damage from the hurricane, the local entities most heavily affected, including New Orleans, Biloxi and Mobile, could possibly face credit rating downgrades in the near term due to constrained financial operations resulting from reduced economic activity and short-term cash flow disruptions. However, we do not view any credit deterioration as a long-term trend and believe these areas also will recover. Like states, these municipalities retain strong revenue-raising abilities, particularly property and sales taxes, and also can reduce expenses.

The region's recovery likely will be aided by an injection of revenues in the form of federal emergency aid, private insurance and charitable contributions. However, given the severity of the damage from Hurricane Katrina, it is difficult to predict the length of recovery and the amount and timing of additional federal aid or claims paid by private municipal bond insurers. Many public entities have issued insured debt, for which private insurers guarantee timely payment of principal and interest. This especially benefits holders of bonds secured by more economically sensitive revenues, such as hotel and sales taxes, which are expected to slow significantly in the short term. We do not foresee any widespread or prolonged debt service defaults. The few defaults that may occur should be temporary in nature, and we believe there will be a complete recovery over a short period of time.

John M. Loffredo
Managing Director and Co-Chief Investment Officer
Municipal Products Group of Merrill Lynch Investment Managers

September 6, 2005

Portfolio Information as of July 31, 2005

Quality Ratings by S&P/Moody's	Percent of Total Investments
AAA/Aaa	91.2%
AA/Aa	1.9
A/A	5.6
BBB/Baa	0.4
NR (Not Rated)	0.9

Schedule of Investments (in Thousands)

Face Amount	Municipal Bonds	Value
Alabama--0.9%		
$ 2,750	Jefferson County, Alabama, Limited Obligation School Warrants, Series A, 5.50% due 1/01/2022	$ 2,995
California--32.2%		
9,000	Alameda Corridor Transportation Authority, California, Capital Appreciation Revenue Refunding Bonds, Subordinate Lien, Series A, 5.543%* due 10/01/2024 (a)	6,709
6,000	Alameda Corridor Transportation Authority, California, Revenue Refunding Bonds, Subordinated Lien, Series A, 5.495%* due 10/01/2025 (a)	4,462
5,000	Anaheim, California, Public Financing Authority, Lease Revenue Bonds (Public Improvements Project),	

	Senior Series A, 6% due 9/01/2024 (d)	6,035
	California State Department of Water Resources, Power Supply Revenue Bonds, Series A:	
1,395	5.375% due 5/01/2022	1,509
1,800	5.375% due 5/01/2022 (f)	1,989
5,400	California State, GO, 5.125% due 2/01/2027	5,711
	California State, GO, Refunding:	
3,000	5.25% due 9/01/2026	3,201
6,000	5.25% due 2/01/2030 (f)	6,433
5,000	5.125% due 6/01/2031	5,185
2,200	ROLS, Series II-R-272, 8.026% due 2/01/2033 (i)(j)	2,460
8,490	California State, Various Purpose, GO, 5.50% due 11/01/2033	9,264
	Golden State Tobacco Securitization Corporation of California, Tobacco Settlement Revenue Bonds, Series B (g):	
3,805	5.60% due 6/01/2010	4,206
5,000	5% due 6/01/2013 (a)	5,441
10,000	5.50% due 6/01/2013 (b)	11,220
5,035	5.50% due 6/01/2013 (c)	5,649
1,400	5.625% due 6/01/2013 (c)	1,583
6,800	5.625% due 6/01/2013 (k)	7,687
3,250	Golden State Tobacco Securitization Corporation of California, Tobacco Settlement Revenue Refunding Bonds, Series A, 5% due 6/01/2035 (b)	3,409
3,500	Los Angeles, California, Unified School District, GO, Series A, 5% due 1/01/2028 (f)	3,694
5,000	Norco, California, Redevelopment Agency, Tax Allocation Refunding Bonds (Norco Redevelopment Project--Area Number 1), 5.125% due 3/01/2030 (f)	5,251
1,750	Poway, California, Redevelopment Agency, Tax Allocation Refunding Bonds (Paguay Redevelopment Project), 5.125% due 6/15/2033 (a)	1,835
6,145	Stockton, California, Public Financing Authority, Lease Revenue Bonds (Parking & Capital Projects), 5.125% due 9/01/2030 (b)	6,504
1,600	Tamalpais, California, Union High School District, GO (Election of 2001), 5% due 8/01/2028 (d)	1,683
Colorado--8.5%		
2,135	Boulder County, Colorado, Hospital Development Revenue Bonds (Longmont United Hospital Project), 5.75% due 12/01/2020 (i)	2,331
185	Colorado HFA, Revenue Bonds (S/F Program), AMT, Senior Series A-1, 7.40% due 11/01/2027	187
930	Colorado HFA, Revenue Refunding Bonds (S/F Program), AMT, Senior Series A-2, 7.50% due 4/01/2031	972
	Colorado Health Facilities Authority Revenue Bonds, Series A:	
1,200	(Catholic Health Initiatives), 5.50% due 3/01/2032 (h)	1,324
1,200	(Covenant Retirement Communities Inc.), 5.50% due 12/01/2027 (i)	1,285
675	(Covenant Retirement Communities Inc.), 5.50% due 12/01/2033 (i)	720
3,875	Colorado Water Resources and Power Development Authority, Clean Water Revenue Bonds, Series A, 6.25% due 9/01/2010 (g)	4,415
2,000	Denver, Colorado, City and County Airport Revenue Refunding Bonds, AMT, Series A, 6% due 11/15/2018 (a)	2,207
5,450	El Paso County, Colorado, School District Number 49,	

Schedule of Investments (continued) (in Thousands)

	Falcon, GO, Series A, 6% due 12/01/2018 (d)	6,289
8,950	Northwest Parkway, Colorado, Public Highway Authority, Capital Appreciation Revenue Bonds, Senior Convertible, Series C, 5,337%* due 6/15/2025 (d)	7,488
1,900	Northwest Parkway, Colorado, Public Highway Authority Revenue Bonds, Series A, 5.50% due 6/15/2021 (a)	2,110
Florida--1.4%		
285	Escambia County, Florida, Health Facilities Authority, Health Facility Revenue Bonds (Florida Health Care Facility Loan), 5.95% due 7/01/2020 (a)	287
4,200	Orange County, Florida, Sales Tax Revenue Refunding Bonds, Series B, 5.125% due 1/01/2032 (b)	4,442
Georgia--10.6%		
18,655	Atlanta, Georgia, Airport General Revenue Refunding Bonds, Series B, 5.25% due 1/01/2033 (d)	20,028
2,300	Augusta, Georgia, Water and Sewer Revenue Bonds, 5.25% due 10/01/2039 (d)	2,473
3,500	Fulton County, Georgia, Water and Sewer Revenue Bonds, 5.25% due 1/01/2035 (b)	3,779
7,725	Georgia Municipal Electric Authority, Power Revenue Refunding Bonds, Series EE, 7% due 1/01/2025 (a)	10,502
Illinois--19.6%		
5,125	Chicago, Illinois, Board of Education, GO, RIB, Series 467, 8.91% due 12/01/2027 (a)(j)	5,964
	Chicago, Illinois, O'Hare International Airport Revenue Bonds, 3rd Lien, AMT, Series B-2:	
5,670	5.75% due 1/01/2023 (d)	6,271
2,500	6% due 1/01/2029 (c)	2,814

Portfolio Abbreviations

To simplify the listings of MuniEnhanced Fund, Inc.'s portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list at right.

AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
DRIVERS	Derivative Inverse Tax-Exempt Receipts
EDA	Economic Development Authority
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
IDA	Industrial Development Authority
RIB	Residual Interest Bonds
RITR	Residual Interest Trust Receipts
ROLS	Reset Option Long Securities
S/F	Single-Family

Face Amount	Municipal Bonds	Value

Illinois (concluded)		
$ 4,550	Chicago, Illinois, O'Hare International Airport, Revenue Refunding Bonds, DRIVERS, AMT, Series 250, 8.824% due 1/01/2021 (f)(j)	$ 5,385
3,000	Cook County, Illinois, Capital Improvement, GO, Series C, 5.50% due 11/15/2026 (a)	3,316
2,240	Cook County, Illinois, Community College District No. 508, Chicago, COP, Refunding, 8.75% due 1/01/2007 (b)	2,416
3,000	Illinois Health Facilities Authority, Revenue Refunding Bonds (Servantcor Project), Series A, 6.375% due 8/15/2006 (d)(g)	3,110
	Illinois Sports Facilities Authority, State Tax Supported Revenue Bonds (a):	
20,695	5.339%* due 6/15/2030	17,369
4,500	5% due 6/15/2032	4,690
3,000	Metropolitan Pier and Exposition Authority, Illinois, Dedicated State Tax Revenue Refunding Bonds (McCormick Place Expansion Project), Series B, 5.75% due 6/15/2023 (f)	3,386
10,115	Regional Transportation Authority, Illinois, Revenue Bonds, Series A, 7.20% due 11/01/2020 (a)	12,807
Indiana--5.0%		
2,500	Brownsburg, Indiana, School Building Corporation, First Mortgage Revenue Bonds (Brownsburg Community School), 5.55% due 2/01/2010 (f)(g)	2,764
4,080	Hammond, Indiana, Multi-School Building Corporation, First Mortgage Revenue Refunding Bonds, 6.125% due 7/15/2019 (f)	4,354
	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series A (b):	
4,250	5.25% due 6/01/2028	4,576
3,750	5.25% due 6/01/2029	4,035
1,500	Indianapolis, Indiana, Local Public Improvement Bond Bank Revenue Bonds (Waterworks Project), Series A, 5.25% due 7/01/2033 (f)	1,606
Louisiana--4.3%		
6,000	Louisiana Local Government, Environmental Facilities, Community Development Authority Revenue Bonds (Capital Projects and Equipment Acquisition), Series A, 6.30% due 7/01/2030 (a)	6,530
3,735	Louisiana State Transportation Authority, Senior Lien Toll Revenue Capital Appreciation Bonds, Series B, 5.31%* due 12/01/2027 (a)	1,169
5,150	New Orleans, Louisiana, Ernest N. Morial Exhibit Hall Authority, Special Tax, Sub-Series A, 5.25% due 7/15/2028 (a)	5,509
1,400	Terrebonne Parish, Louisiana, Hospital Service District Number 1, Hospital Revenue Bonds (Terrebonne General Medical Center Project), 5.50% due 4/01/2033 (a)	1,522
Massachusetts--9.3%		
	Massachusetts Bay Transportation Authority, Sales Tax Revenue Refunding Bonds, Senior Series A:	
1,500	5% due 7/01/2032	1,561
1,625	5% due 7/01/2035	1,675
2,800	Massachusetts State, HFA, Housing Revenue Bonds, DRIVERS, AMT, Series 982, 7.832% due 1/01/2011 (d)(j)	2,925

Schedule of Investments (continued) (in Thousands)

4,985	Massachusetts State Port Authority, Special Facilities Revenue Bonds, DRIVERS, AMT, Series 501, 8.32% due 7/01/2009 (a)(j)	5,560
6,200	Massachusetts State School Building Authority, Dedicated Sales Tax Revenue Bonds, Series A, 5% due 8/15/2030 (d)	6,577
11,800	Massachusetts State Special Obligation Dedicated Tax Revenue Bonds, 5.25% due 1/01/2014 (b)(g)	13,041
650	Massachusetts State Water Resource Authority, General Revenue Refunding Bonds, Series B, 5.125% due 8/01/2027 (f)	686
Michigan--6.1%		
6,200	Detroit, Michigan, Water Supply System Revenue Bonds, Series B, 5.25% due 7/01/2032 (f)	6,635
2,200	Michigan Higher Education Student Loan Authority, Student Loan Revenue Refunding Bonds, AMT, Series XVII-G, 5.20% due 9/01/2020 (a)	2,305
	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds (Detroit Edison Company Project), AMT (c):	
1,300	Series A, 5.50% due 6/01/2030	1,400
2,500	Series C, 5.65% due 9/01/2029	2,676
4,300	Series C, 5.45% due 12/15/2032	4,568
3,090	Wayne County, Michigan, Airport Authority Revenue Bonds, DRIVERS, AMT, Series 986, 7.844% due 6/01/2013 (f)(j)	3,501
Mississippi--0.8%		
2,400	Walnut Grove, Mississippi, Correctional Authority, COP, 6% due 11/01/2009 (a)(g)	2,707
Nebraska--0.5%		
1,700	Washington County, Nebraska, Wastewater Facilities Revenue Bonds (Cargill Inc. Project), AMT, 5.90% due 11/01/2027	1,859
Nevada--7.0%		
3,100	Carson City, Nevada, Hospital Revenue Bonds (Carson-Tahoe Hospital Project), Series A, 5.50% due 9/01/2033 (i)	3,306
	Clark County, Nevada, Airport System Subordinate Lien Revenue Bonds (b):	
1,500	Series A-2, 5% due 7/01/2030	1,566
3,200	Series A-2, 5% due 7/01/2036	3,331
2,000	Series B, 5.25% due 7/01/2034	2,103
10,450	Washoe County, Nevada, Gas and Water Facilities Revenue Refunding Bonds (Sierra Pacific Power Company), 6.30% due 12/01/2014 (a)	10,721
3,000	Washoe County, Nevada, Water Facility Revenue Bonds (Sierra Pacific Power Company), AMT, 6.65% due 6/01/2017 (f)	3,100

Face Amount	Municipal Bonds	Value
New Hampshire--2.4%		
$ 7,390	New Hampshire Health and Education Facilities Authority Revenue Bonds (Dartmouth-Hitchcock Obligation Group, 5.50% due 8/01/2027 (d)	$ 8,166
New Jersey--8.7%		
	New Jersey EDA, Cigarette Tax Revenue Bonds:	
700	5.50% due 6/15/2031	734
1,165	5.75% due 6/15/2034	1,242
	New Jersey EDA, Motor Vehicle Surcharge Revenue Bonds, Series A (f):	
2,600	5% due 7/01/2029	2,751
7,250	5.25% due 7/01/2031	7,848
5,200	5.25% due 7/01/2033	5,627
	New Jersey EDA, Revenue Bonds, ROLS (e)(j):	
7,625	Series II-R-309-1, 8.543% due 6/15/2024	8,931
2,500	Series II-R-309-2, 8.543% due 6/15/2031	2,954
New York--6.5%		
6,960	New York City, New York, GO, DRIVERS, Series 356, 8.358% due 6/01/2011 (c)(j)	8,570
	New York City, New York, GO, Refunding, Series A (b):	
3,560	6.375% due 5/15/2010 (g)	4,088
440	6.375% due 5/15/2013	500
435	6.375% due 5/15/2014	494
550	6.375% due 5/15/2015	627
7,650	Tobacco Settlement Financing Corporation of New York Revenue Bonds, Series A-1, 5.25% due 6/01/2022 (a)	8,282
Pennsylvania--6.1%		
	Allegheny County, Pennsylvania, Sanitation Authority, Sewer Revenue Bonds (f):	
510	5.50% due 12/01/2010 (g)	568
90	5.50% due 12/01/2030	99
7,750	Pennsylvania State Public School Building Authority, School Lease Revenue Bonds (The School District of Philadelphia Project), 5% due 6/01/2033 (d)	8,092
6,500	Philadelphia, Pennsylvania, Authority for Industrial Development, Lease Revenue Bonds, Series B, 5.50% due 10/01/2020 (d)	7,179
4,500	Philadelphia, Pennsylvania, School District, GO, Series B, 5.625% due 8/01/2012 (b)(g)	5,077
Rhode Island--2.5%		
4,345	Providence, Rhode Island, Public Building Authority, General Revenue Bonds, Series A, 6.25% due 12/15/2020 (d)	4,962
3,355	Rhode Island State Economic Development Corporation, Airport Revenue Bonds, Series B, 6.50% due 7/01/2010 (b)(g)	3,872
South Dakota--2.2%		
7,000	South Dakota State Health and Educational Facilities Authority, Revenue Refunding Bonds, Series A, 7.625% due 1/01/2008 (f)(g)	7,681
Tennessee--0.7%		

2,280	Tennessee HDA, Revenue Refunding Bonds (Homeownership Program), AMT, Series 1, 5.95% due 7/01/2012 (f)	2,369
Texas--10.5%		
1,615	Bexar, Texas, Metropolitan Water District, Waterworks System, Revenue Refunding Bonds, 6.35% due 5/01/2025 (f)	1,652
	Dallas-Fort Worth, Texas, International Airport Revenue Bonds, DRIVERS, AMT (j):	
2,000	Series 202, 9.325% due 11/01/2028 (b)	2,364
7,250	Series 353, 8.32% due 5/01/2011 (f)	8,301
900	Houston, Texas, Airport System, Revenue Refunding Bonds, Sub-Lien, Series B, 5.50% due 7/01/2030 (d)	970
9,345	Leander, Texas, Independent School District, Capital Appreciation, GO, Refunding (School Building), 5.484%* due 8/15/2029 (b)	2,609
5,820	North Harris County, Texas, Regional Water Authority, Senior Lien Revenue Bonds, 5.125% due 12/15/2035 (f)	6,152
6,250	Texas State Turnpike Authority, Central Texas Turnpike System Revenue Bonds, First Tier, Series A, 5.50% due 8/15/2039 (a)	6,885
5,200	Travis County, Texas, Health Facilities Development Corporation, Revenue Refunding Bonds, RITR, Series 4, 8.983% due 11/15/2024 (a)(j)	6,372
1,000	University of Houston, Texas, University Revenue Bonds, 5.50% due 2/15/2030 (f)	1,074
Virginia--3.9%		
10,000	Fairfax County, Virginia, EDA, Resource Recovery Revenue Refunding Bonds, AMT, Series A, 6.10% due 2/01/2010 (a)	11,011
2,300	Halifax County, Virginia, IDA, Exempt Facility Revenue Refunding Bonds (Old Dominion Electric Cooperative Project), AMT, 5.625% due 6/01/2028 (a)	2,530
Washington--2.9%		
2,150	King County, Washington, Sewer Revenue Refunding Bonds, Series B, 5.50% due 1/01/2027 (d)	2,346
2,000	Snohomish County, Washington, Public Utility District Number 001, Electric Revenue Refunding Bonds, 5.375% due 12/01/2024 (d)	2,161
5,000	Washington State, GO, Series A and AT-6, 6.25% due 2/01/2011 (f)	5,486
	Total Municipal Bonds (Cost--$492,585)--152.6%	526,976

Shares Held	Short-Term Securities	
5,000	Merrill Lynch Institutional Tax-Exempt Fund (l)	5,000
	Total Short-Term Securities (Cost--$5,000)--1.4%	5,000
Total Investments (Cost--$497,585**)--154.0%		531,976
Other Assets Less Liabilities--0.1%		407

Preferred Stock, at Redemption Value--(54.1%)	(187,022)
Net Assets Applicable to Common Stock--100.0%	$345,361

Schedule of Investments (concluded)

* Represents a zero coupon or a step bond; the interest rate shown is the effective yield at the time of purchase by the Fund.

** The cost and unrealized appreciation (depreciation) of investments as of July 31, 2005, as computed for federal income tax purposes, were as follows:

	(in Thousands)
Aggregate cost	$497,571
Gross unrealized appreciation	$ 34,654
Gross unrealized depreciation	(249)
Net unrealized appreciation	$ 34,405

(a) AMBAC Insured.
(b) FGIC Insured.
(c) XL Capital Insured.
(d) FSA Insured.
(e) AGC Insured.
(f) MBIA Insured.
(g) Prerefunded.
(h) Escrowed to maturity.
(i) Radian Insured.
(j) The rate disclosed is that currently in effect. This rate changes periodically and inversely based upon prevailing market rates.
(k) CIFG Insured.
(l) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

(in Thousands)

Affiliate	Net Activity	Dividend Income
Merrill Lynch Institutional Tax-Exempt Fund	5,000	$23

Forward interest rate swaps outstanding as of July 31, 2005 were as follows:

(in Thousands)

	Notional Amount	Unrealized Appreciation
Receive a variable rate equal to 7-Day		

Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.593%		
Broker, JPMorgan Chase Bank Expires August 2015	$10,000	$ 33
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.654%		
Broker, JPMorgan Chase Bank Expires October 2015	$10,000	11
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.542%		
Broker, JPMorgan Chase Bank Expires October 2015	$25,000	236
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.933%		
Broker, JPMorgan Chase Bank Expires August 2025	$15,000	28
Receive a variable rate equal to 7-Day Bond Market Association Municipal Swap Index Rate and pay a fixed rate of 3.88%		
Broker, Morgan Stanley Capital Services, Inc. Expires September 2025	$10,000	110
Total		$ 418

See Notes to Financial Statements.

Statement of Net Assets

As of July 31, 2005

Assets		
Investments in unaffiliated securities, at value (identified cost--$492,585,104)		
Investments in affiliated securities, at value (identified cost--$5,000,000)		
Unrealized appreciation on forward interest rate swaps		
Cash		
Receivables:		
Interest	$ 5,504	
Securities sold	4,872	
Dividends from affiliates		

	Prepaid expenses	
	Total assets	
Liabilities		
	Payables:	
	Securities purchased	10,015
	Investment adviser	196
	Dividends to Common Stock shareholders	181
	Other affiliates	16
	Accrued expenses	
	Total liabilities	
Preferred Stock		
	Preferred Stock, at redemption value, par value $.025 per share on Series A Shares, Series B Shares and Series C Shares and $.10 per share on Series D Shares (2,000 Series A Shares, 2,000 Series B Shares, 2,000 Series C Shares and 1,480 Series D Shares of AMPS* authorized, issued and outstanding at $25,000 per share liquidation preference) ...	
Net Assets Applicable to Common Stock		
	Net assets applicable to Common Stock	
Analysis of Net Assets Applicable to Common Stock		
	Common Stock, par value $.10 per share (29,369,874 shares issued and outstanding)	
	Paid-in capital in excess of par	
	Undistributed investment income--net	$ 3,966
	Accumulated realized capital losses--net	(18,939
	Unrealized appreciation--net	34,808
	Total accumulated earnings--net	
	Total--Equivalent to $11.76 net asset value per share of Common Stock (market price--$11.60)	

* Auction Market Preferred Stock.

See Notes to Financial Statements.

Statement of Operations

For the Six Months Ended July 31, 2005

Investment Income

Interest		
Dividends from affiliates		
Total income		

Expenses

Investment advisory fees	$ 1,318	
Commission fees	228	
Accounting services	84	
Transfer agent fees	55	
Professional fees	28	
Printing and shareholder reports	22	
Custodian fees	14	
Directors' fees and expenses	11	
Pricing fees	10	
Listing fees	10	
Other	20	
Total expenses before reimbursement	1,804	
Reimbursement of expenses	(1	
Total expenses after reimbursement		
Investment income--net		

Realized & Unrealized Gain (Loss)--Net

Realized gain (loss) on:		
Investments--net	1,216	
Forward interest rate swaps--net	(2,720	
Change in unrealized appreciation/depreciation on:		
Investments--net	(2,298	
Forward interest rate swaps--net	2,438	
Total realized and unrealized loss--net		

Dividends to Preferred Stock Shareholders

Investment income--net		
Net Increase in Net Assets Resulting from Operations		

See Notes to Financial Statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:	For the Months En July 31 2005
Operations	
Investment income--net	$ 11,496
Realized gain (loss)--net	(1,503
Change in unrealized appreciation/depreciation--net	139
Dividends to Preferred Stock shareholders	(2,049
Net increase in net assets resulting from operations	8,083
Dividends to Common Stock Shareholders	
Investment income--net	(10,749
Net decrease in net assets resulting from dividends to Common Stock shareholders	(10,749
Capital Stock Transactions	
Offering and underwriting costs resulting from issuance of Preferred Stock	
Net Assets Applicable to Common Stock	
Total increase (decrease) in net assets applicable to Common Stock	(2,666
Beginning of period	348,026
End of period*	$ 345,360
* Undistributed investment income--net	$ 3,966

See Notes to Financial Statements.

Financial Highlights

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended July 31, 2005	For the Ye 2005	2004
Per Share Operating Performance			
Net asset value, beginning of period .	$ 11.85	$ 11.83	$ 11.

Investment income--net@	.39	.79	.
Realized and unrealized gain (loss)--net	(.04)	.05	.
Less dividends to Preferred Stock shareholders from investment income--net	(.07)	(.07)	(.
Total from investment operations	.28	.77	.
Less dividends to Common Stock shareholders from investment income--net	(.37)	(.73)	(.
Offering and underwriting costs resulting from the issuance of Preferred Stock	--	(.02)	
Net asset value, end of period	$ 11.76	$ 11.85	$ 11.
Market price per share, end of period	$ 11.60	$ 10.93	$ 11.
Total Investment Return**			
Based on net asset value per share ...	2.52%+	7.20%	8.
Based on market price per share	9.63%+	4.25%	12.
Ratios Based on Average Net Assets of Common Stock			
Total expenses, net of reimbursement***	1.05%*	1.01%	.
Total expenses***	1.05%*	1.01%	.
Total investment income--net***	6.72%*	6.80%	6.
Amount of dividends to Preferred Stock shareholders	1.20%*	.59%	.
Investment income--net, to Common Stock shareholders	5.52%*	6.21%	6.
Ratios Based on Average Net Assets of Preferred Stock			
Dividends to Preferred Stock shareholders	2.21%*	1.22%	1.

Financial Highlights (concluded)

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended July 31, 2005	For the Y	
		2005	2004
Supplemental Data			
Net assets applicable to Common Stock,			

end of period (in thousands)	$345,361	$348,027	$347,3
Preferred Stock outstanding, end of period (in thousands)	$187,000	$187,000	$150,0
Portfolio turnover	14.39%	40.17%	50.
Leverage			
Asset coverage per $1,000	$ 2,847	$ 2,861	$ 3,3
Dividends Per Share on Preferred Stock Outstanding			
Series A--Investment income--net	$ 255	$ 309	$ 2
Series B--Investment income--net	$ 294	$ 289	$ 3
Series C--Investment income--net	$ 274	$ 295	$ 2
Series D--Investment income--net	$ 272	$ 156	

* Annualized.

** Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.

*** Do not reflect the effect of dividends to Preferred Stock shareholders.

\+ Aggregate total investment return.

@ Based on average shares outstanding.

See Notes to Financial Statements.

Notes to Financial Statements

1. Significant Accounting Policies:

MuniEnhanced Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim period. All such adjustments are of a normal, recurring nature. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis. The Fund's Common Stock shares are listed on the New York Stock Exchange under the symbol MEN. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments -- Municipal bonds are traded primarily in the over-the-counter ("OTC") markets and are valued at the last available bid price in the OTC market or on the basis of values as obtained by a pricing service. Pricing services use valuation matrixes that incorporate both dealer-supplied valuations and valuation models. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general direction of the Board of Directors. Such valuations and procedures are reviewed periodically by the Board of Directors of the Fund. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their closing prices as of the close of such exchanges. Options written or purchased are valued at the last sale price in the case of exchange-traded options. In the case of options traded in the OTC market, valuation is the last asked price (options written) or the last bid price (options purchased). Swap agreements are valued by quoted fair values received daily by the Fund's pricing service. Short-term investments with a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value, under which method the investment is valued at cost and any premium or discount is amortized on a straight line basis to maturity. Investments in open-end investment companies are valued at their net asset value each business day. Securities and other assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

(b) Derivative financial instruments -- The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

o Financial futures contracts -- The Fund may purchase or sell financial futures contracts and options on such futures contracts. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin 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 value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. 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 value at the time it was closed.

o Options -- The Fund may write covered call options and purchase call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market reflecting the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

  Written and purchased options are non-income producing investments.

o Forward interest rate swaps -- The Fund may enter into forward interest rate swaps. In a forward interest rate swap, the Fund and the counterparty agree to make periodic net payments on a specified notional contract amount, commencing on a specified future effective date, Notes to Financial Statements (concluded)

unless terminated earlier. When the agreement is closed, the Fund records a realized gain or loss in an amount equal to the value of the agreement.

(c) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

(d) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

(e) Dividends and distributions -- Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

(f) Offering costs -- Direct expenses relating to the public offering of the Fund's Preferred Stock were charged to capital at the time of issuance of the shares.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee at an annual rate of .50% of the Fund's average daily net assets, including assets acquired from the issuance of Preferred Stock. The Investment Adviser agreed to reimburse its management fee by the amount of management fees the Fund pays to FAM indirectly through its investment in Merrill Lynch Institutional Tax-Exempt Fund. For the six months ended July 31, 2005, FAM reimbursed the Fund in the amount of $1,969.

For the six months ended July 31, 2005, the Fund reimbursed FAM $5,835 for certain accounting services.

Certain officers and/or directors of the Fund are officers and/or directors of FAM, PSI, and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended July 31, 2005 were $76,700,458 and $74,371,050, respectively.

4. Stock Transactions:

The Fund is authorized to issue 200,000,000 shares of stock, par value $.10 per share, all of which were initially classified as Common Stock. The Board of Directors is authorized, however, to reclassify any unissued shares of stock without the approval of the holders of Common Stock.

Preferred Stock

Auction Market Preferred Stock are shares of Preferred Stock of the Fund, with a par value of $.025 per share for Series A, Series B, and Series C and $.10 per share for Series D and a liquidation preference of $25,000 per share, plus accrued and unpaid dividends, that entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend period for each series. The yields in effect at July 31, 2005 were as follows: Series A, 2.20%; Series B, 2.25%; Series C, 2.30%; and Series D, 2.25%.

Shares issued and outstanding during the six months ended July 31, 2005 remained constant. Shares issued and outstanding during the year ended January 31, 2005 increased by 1,480 shares from the issuance of an additional series of Preferred Stock.

The Fund pays commissions to certain broker-dealers at the end of each auction at an annual rate ranging from .25% to .50%, calculated on the proceeds of each auction. For the six months ended July 31, 2005, Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of FAM, received $126,643 as commissions.

5. Capital Loss Carryforward:

On January 31, 2005, the Fund had a net capital loss carryforward of $15,398,322, of which $4,572,805 expires in 2008, $8,505,599 expires in 2009, $1,955,204 expires in 2011 and $364,714 expires in 2013. This amount will be available to offset like amounts of any future taxable gains.

6. Subsequent Event:

The Fund paid a tax-exempt income dividend to holders of Common Stock in the amount of $.061000 on August 30, 2005 to shareholders of record on August 15, 2005.

Officers and Directors

Robert C. Doll, Jr., President and Director
James H. Bodurtha, Director
Kenneth A. Froot, Director
Joe Grills, Director
Herbert I. London, Director
Roberta Cooper Ramo, Director
Robert S. Salomon, Jr., Director
Stephen B. Swensrud, Director
Donald C. Burke, Vice President and Treasurer
Kenneth A. Jacob, Senior Vice President
John M. Loffredo, Senior Vice President
Michael A. Kalinoski, Vice President
Jeffrey Hiller, Chief Compliance Officer
Alice A. Pellegrino, Secretary

Custodian

State Street Bank and Trust Company
P.O. Box 351
Boston, MA 02101

Transfer Agents

Common Stock:

Equiserve Trust Company N.A.
(c/o Computershare Investor Services)
P.O. Box 43010
Providence, RI 02940-3010
1-800-426-5523

Preferred Stock:

The Bank of New York
101 Barclay Street -- 7 West
New York, NY 10286

NYSE Symbol

MEN

Dividend Policy

The Fund's dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. The Fund's current accumulated but undistributed net investment income, if any, is disclosed in the Statement of Net Assets, which comprises part of the financial information included in this report.

Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at http://www.sec.gov. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Results

During the six-month period ended July 31, 2005, MuniEnhanced Fund, Inc.`s Common Stock shareholders voted on the following proposals. Proposal 1 was approved at a shareholders' meeting on April 28, 2005. With respect to Proposal 2, the meeting was adjourned until May 27, 2005, at which time the proposal passed. A description of the proposals and number of shares voted were as follows:

		Shares Voted For	Shares Wit From Vot
1. To elect the Fund's Directors:	Robert C. Doll, Jr.	16,197,569	435,10
	James H. Bodurtha	16,198,918	433,75
	Joe Grills	16,182,720	449,95

	Roberta Cooper Ramo	16,172,537	460,13
	Stephen B. Swensrud	16,185,953	446,72

	Shares Voted For	Shares Voted Against
2. To approve an amendment to fundamental investment restriction.	11,948,308	535,259

During the six-month period ended July 31, 2005, MuniEnhanced Fund, Inc.`s Preferred Stock shareholders (Series A - D) voted on the following proposals. Proposal 1 was approved at a shareholders' meeting on April 28, 2005. With respect to Proposal 2, the meeting was adjourned until May 27, 2005, at which time the proposal passed. A description of the proposals and number of shares voted were as follows:

	Shares Voted For	Shares Wit From Vot
1. To elect the Fund's Board of Directors: Robert C. Doll, Jr., James H. Bodurtha, Joe Grills, Herbert I. London, Roberta Cooper Ramo, Robert S. Salomon, Jr. and Stephen B. Swensrud	4,877	11

	Shares Voted For	Shares Voted Against
2. To approve an amendment to fundamental investment restriction.	7,115	53

Electronic Delivery

The Fund offers electronic delivery of communi cations to its shareholders. In order to receive this service, you must regis ter your account and provide us with e-mail information. To sign up for this service, simply access this Web site at http://www.icsdelivery.com/live and follow the instructions. When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

[LOGO] Merrill Lynch Investment Managers

www.mlim.ml.com

Mercury Advisors

A Division of Merrill Lynch Investment Managers

www.mercury.ml.com

MuniEnhanced Fund, Inc. seeks to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies by investing primarily in a portfolio of long-term, investment grade municipal obligations, the interest on which is exempt from federal income taxes in the opinion of the bond counsel to the issuer.

This report, including the financial information herein, is transmitted to shareholders of MuniEnhanced Fund, Inc. for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund has leveraged its Common Stock and intends to remain leveraged by issuing Preferred Stock to provide the Common Stock shareholders with a potentially higher rate of return. Leverage creates risks for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of shares of the Common Stock, and the risk that fluctuations in the short-term dividend rates of the Preferred Stock may affect the yield to Common Stock shareholders. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-MER-FUND (1-800-637-3863); (2) at www.mutualfunds.ml.com; and (3) on the Securities and Exchange Commission's Web site at http://www.sec.gov. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at www.mutualfunds.ml.com and (2) on the Securities and Exchange Commission's Web site at http://www.sec.gov.

MuniEnhanced Fund, Inc.
Box 9011
Princeton, NJ 08543-9011

#10874 -- 7/05

Item 2 - Code of Ethics - Not Applicable to this semi-annual report

Item 3 - Audit Committee Financial Expert - Not Applicable to this semi-annual report

Item 4 - Principal Accountant Fees and Services - Not Applicable to this semi-annual report

Item 5 - Audit Committee of Listed Registrants - Not Applicable to this semi-annual report

Item 6 - Schedule of Investments - Not Applicable

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not Applicable to this semi-annual report

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - Not Applicable to this semi-annual report

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable

Item 10 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 11 - Controls and Procedures

11(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal half-year of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 - Exhibits attached hereto

12(a)(1) - Code of Ethics - Not Applicable to this semi-annual report

12(a)(2) - Certifications - Attached hereto

12(a)(3) - Not Applicable

12(b) - Certifications - Attached hereto

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.

MuniEnhanced Fund, Inc.

By: /s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.,
Chief Executive Officer of
MuniEnhanced Fund, Inc.

Date: September 23, 2005

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/ Robert C. Doll, Jr.

Robert C. Doll, Jr.,
Chief Executive Officer of
MuniEnhanced Fund, Inc.

Date: September 23, 2005

By: /s/ Donald C. Burke

Donald C. Burke,
Chief Financial Officer of
MuniEnhanced Fund, Inc.

Date: September 23, 2005