



**Electric Cooperatives
of Arkansas**

Electric Cooperative Energy Tax Priorities

Issue: Electric cooperatives use a wide range of technologies to generate power, help consumers efficiently use that power, and maintain a resilient grid to deliver that power. As consumer-owned utilities, electric cooperatives work to keep energy costs affordable for member-consumers while keeping power reliable and safe. Various tax incentives for energy production help electric cooperatives keep that power affordable.

Status: Several bills have been introduced in the 115th Congress to advance the energy tax incentive priorities of electric cooperatives. Co-ops support extending and modifying tax incentives for geothermal energy sources, for nuclear power, and to incentivize carbon capture technologies to reduce emissions of CO₂ from coal-based power plants.

Geothermal Heat Pump Tax Credits

Many electric cooperatives promote the use of ground-source (geothermal) heat pumps for heating and cooling. This energy source is highly efficient and saves consumers money on their heating and cooling bills. However, the up-front cost of installing a geothermal energy system is prohibitive for many. Tax Credits to help reduce the initial cost for installing residential (Section 25D) and commercial (Section 48) geothermal systems expired at the end of 2016.

In 2015, Congress extended and provided a phase down of tax credits for wind and solar technologies. However the tax credit for geothermal heat pumps (along with small wind and combined heat and power property) was left out of the year-end package, despite being in the same section of the tax code. Geothermal technologies need to be treated similarly to wind and solar technologies.

Representative Tom Reed (R-NY) introduced H.R. 1090 in February, 2017, to extend and phase-out the tax incentive for geothermal and other technologies in a manner similar to the treatment provided for solar and wind technologies by Congress in 2015.

Nuclear Production Tax Credit

Congressional action is needed to modify current production tax credits (PTCs) established by the Energy Policy Act of 2005 for advanced nuclear power plants. Current law limits the PTC to the first 6,000 MW of new capacity placed in service by 2020. Additionally, current law creates inequities among nuclear project participants, allowing Investor Owned Utilities (IOUs) to utilize tax credits, while co-ops and municipal utilities with significant investments are not able to realize cost savings in the same manner.

In South Carolina and Georgia, the first new nuclear plants to be built in more than 30 years are under construction. These four advanced technology nuclear units are joint

venture partnerships, which were not contemplated by Congress in the 2005 law. In both states, the nuclear construction project includes not-for-profit co-owners. While the Treasury Department allocates PTCs to all partners on a pro-rata ownership basis, the not-for-profit cooperative and municipal entities cannot directly utilize the credits because they are exempt from federal income taxes.

Rep. Tom Rice (R-SC) and Sen. Tim Scott (R-SC) have introduced legislation (H.R. 1551 and S. 666 respectively) to modify the current Nuclear Production Tax Credit to treat not-for-profit nuclear project co-owners more fairly by allowing them to more easily monetize their allocated tax credits to provide an incentive comparable to their for-profit partners. It also removes the 2020 placed-in-service date, while maintaining the limit on the use of the PTC to the first 6,000 MW of new advanced nuclear generation.

Carbon Capture Tax Credits

Electric cooperatives have supported research into new technologies to reduce emissions from our nation's fossil fuel-based power plants with significant results. Emissions of SO₂, NO_x, Particulate Matter, and other emissions have been reduced dramatically due to technology innovations. However, there is no commercially-available, cost-effective technology to reduce emissions of CO₂.

The current tax credit (Section 45Q) geared toward incentivizing technology development to reduce CO₂ emissions is one form of federal support, but it needs updating. The current Section 45Q tax credit is restrictive and does not meet the needs of the entities that are best positioned to utilize it, including utilities that want to maintain and use coal as part of their energy portfolio. Rep. Mike Conaway (R-TX) and Sen. Heidi Heitkamp (D-ND) introduced legislation to update the Section 45Q tax credit in the 114th Congress and are preparing to introduce similar legislation in the 115th Congress.

Electric Cooperatives of Arkansas Position.

- **Ask your Representative to co-sponsor H.R. 1090, the Technologies for Energy Security Act**, which provides tax parity for geothermal heat pumps and other technologies.
- **Ask your Representative and Senators to co-sponsor H.R. 1551 or S. 666** to allow cooperative members to realize the same benefits as IOU ratepayers when co-ops are partnering with IOUs in developing nuclear power plants.
- **Ask your Representative and Senators to support legislation to spur commercial deployment of carbon capture and storage technology** to make the current tax credit permanent, increase its value, and make it available to not-for-profit electric cooperatives.

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