



Edison Electric
INSTITUTE

H.R. 1, the Tax Cuts and Jobs Act: Impact on the Electric Power Industry

NRRI Webinar : New Tax Legislation and its Effect on Regulated Public Utilities

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EEI Tax Reform Priorities

We know that our customers rely on us to provide safe, reliable, affordable, and increasingly clean energy. That is why we believed it was essential that any tax reform legislation supported investments in America's critical energy infrastructure and kept energy bills as affordable and predictable as possible for all Americans.

Priorities

- Reduce the Corporate Tax Rate
- Maintain Interest Deductibility for Corporate Debt
- Maintain the Deductibility for State & Local Taxes
- Maintain Tax Normalization and Address Excess Deferred Taxes (EDT)
- Keep Dividend Tax Rates Low and on Par with Capital Gains Tax Rates

Tax Reform Results

- The corporate tax rate was reduced from 35% to 21%.
- The legislation limits the deductibility of interest and provides full expensing for 5-years, followed by a 20% per year phase-down until 2026; regulated utilities are exempt from both of these provisions (keep 100% interest deductibility; apply MACRS depreciation).
- The deductibility for state & local taxes was maintained, which is a big win for customers.
- Provisions similar to the 1986 Act were maintained, and EDTs will continue to flow back over the life of the asset.
- Dividend tax rates were unchanged and remain on par for the tax rates for capital gains. Similar to the interest deduction, this is a critical component of keeping the cost of capital low.

Other Key Provisions

- The corporate alternative minimum tax was eliminated.
- The 2015 renewable credit deal remains in place with no additions or alterations.
- The EV tax credit remains in place.
- The worldwide net interest limitation [section 163 (n)] that was included in the Senate version was eliminated.
- NOL carryforward rules are modified to limit loss carryover in a given year to 80% of taxable income and also provide for an indefinite carryover period.

EEI Tax Reform Efforts: Next Steps

- Implementation
 - Accounting – Financial Disclosures
 - Tax Planning
- Federal Outreach
 - Congressional Outreach
 - Tax Writing Committees, Joint Committee on Taxation
 - Administration Outreach
 - Department of Treasury
 - Internal Revenue Service
- Regulatory Proceedings
 - State Public Utility Commissions
 - Federal Energy Regulatory Commission