

Election Impacts on Electric Co-ops

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Election Impacts on Electric Co-ops

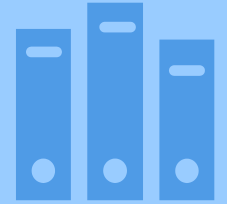
Current State of Play
in Washington



Spending
Freeze



Regulatory
Changes



Tariffs



Budget
Reconciliation



Taxes



What's happening in Washington



Tight Republican Majority
in Congress



Ambitious Agenda



Simmering discontent?

Spending Freeze



- Initial Freeze on IRA/IIJA Programs
- Subsequent Freeze
- Judicial Action and Administration Response
- What Now?

Regulatory Changes

- Power Plant Rule
- Coal Revitalization



Tariffs



**Opening Tariffs on
Canada and Mexico**



**Early April Tariff's
on Everybody**



Negotiations?

President Trump Announces Expanded Tariff Plan

Trump pauses retaliatory tariffs on most countries for 90 days, maintains 10% baseline tariff

- On April 2, President Donald Trump announced sweeping tariffs on most imported goods, including a **10% baseline tariff hitting all countries**
- After the announcement, many countries expressed willingness to negotiate with the US to reduce trade barriers, with Vietnam and Taiwan proposing zero tariffs for both imports and exports
- On April 9, Trump announced that **all reciprocal tariffs would be paused for 90-days to allow for negotiations, except for China**

Using tariffs to protect production

President Trump criticized foreign trade barriers for preventing US manufacturers and agricultural producers from being able to compete in international markets. However, **other nations installed these trade barriers to protect their own domestic production.** While Trump looks to instead domestic output, other nations will still want to ensure their economic capabilities.

What the Trump Admin Hopes Tariffs Will Accomplish

The Trump administration may be leveraging tariffs to achieve domestic and international victories



Reduce the federal deficit: The US trade deficit in 2024 eclipsed \$1.2 trillion



Improved trade deals: The USMCA is up for renegotiation in 2026, and tariffs may provide the US leverage for better terms



Increase domestic manufacturing: The best way for companies to avoid the tariffs would be to produce goods domestically



Decreased border activity: Reduce border crossings and the flow of fentanyl



Reduced tariffs on US exports: Reciprocal tariffs may force countries to review tariff rates on US goods



Increased federal income: The Trump administration values the income tariffs may generate to fuel further tax cuts

Tracking Tariffs Set by the Trump Administration (1/2)

COUNTRY	TARIFF	STATUS
All Countries	10% baseline tariff	Enacted
	25% on steel and aluminum	Enacted
	25% on all cars	Enacted
	Reciprocal tariffs on countries the US has large trade deficits	Delayed for 90 days
	25% on all countries that import oil from Venezuela	Proposed
	Pharmaceuticals and computer chips	Proposed
	Investigations into copper and lumber trade	Reports due in November
	25% on all car parts	Proposed for May 3
Canada	10% on energy imports not compliant with USMCA	Enacted
	10% on potash fertilizer	Enacted
	25% on USMCA goods	Delayed
	25% on all goods not compliant with the USMCA	Enacted
Mexico	25% on USMCA goods	Delayed
	25% on all goods not compliant with the USMCA	Enacted
European Union	200% on alcoholic products	Proposed
China	125% on all products	Enacted



Tracking Tariffs Set by the Trump Administration (2/2)

Proposed reciprocal tariff rates, prior to the 90-day pause on April 9

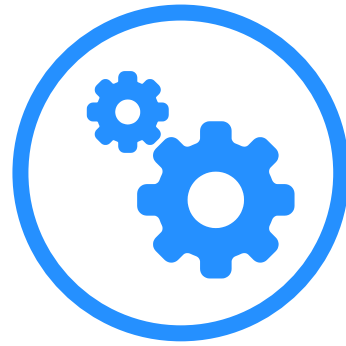
COUNTRY	TARIFF RATE	2024 IMPORT VALUES	2024 TRADE BALANCE
European Union	20%	\$605,760,393,292	-\$235,571,162,941
Japan	24%	\$148,208,566,623	-\$68,467,721,077
Vietnam	46%	\$136,561,155,809	-\$123,463,000,688
South Korea	25%	\$131,549,187,120	-\$66,007,396,702
Taiwan	32%	\$116,264,026,887	-\$73,927,165,468
India	26%	\$87,416,448,578	-\$45,663,780,610
United Kingdom	10%	\$68,084,468,332	\$11,856,874,421
Switzerland	31%	\$63,425,318,602	-\$38,463,331,684
Thailand	36%	\$63,328,180,222	-\$45,608,930,737
Malaysia	24%	\$52,534,847,955	-\$24,830,097,128
Singapore	10%	\$43,203,722,903	\$2,828,923,069
Brazil	10%	\$42,316,323,621	\$7,350,652,702
Indonesia	32%	\$28,084,737,884	-\$17,882,642,164
Israel	17%	\$22,217,484,849	-\$7,425,449,889



Budget Reconciliation



**What Is It And How
Does It Work?**



**Where Are We In
The Process?**



**What Is The Likely
Outcome?**

Budget Reconciliation Overview



Allows for quick legislating

- Created via the Congressional Budget Act of 1974
- Provides an expedited process for passing congressional measures related to the budget



Cannot be filibustered

- Debate in Senate is limited to 20 hours
- Allows passage of certain legislation by simple majority



Provisions must abide by the “Byrd rule”

- Must have a non-incidental effect on the budget
- Must not change overall spending/revenue
- Must not add to the deficit outside the budget window covered by the bill

Process

Both House and Senate pass a budget resolution which includes reconciliation instructions
(No filibuster - simple majority vote in both chambers)



Instructed committees develop and vote on policy recommendations related to the instructions
(simple majority vote)



Budget committees bundle proposals into budget measure and vote
(simple majority vote)



Full House votes
(rules for debate and final passage are by simple majority vote)

Senate debate limited to 20 hours (no filibuster) but unlimited amendments can be offered (vote-a-rama)



President signs budget reconciliation measure

Budget Resolution

House advances Senate budget resolution, clearing the way for Trump's agenda



House and Senate Republicans passed a budget framework advancing Trump's economic agenda with over **\$5 trillion in tax cuts**, major **spending on defense** and the **border**, and a **\$5 trillion debt limit increase**.

SENATE VOTE

51-48

vote in favor of the resolution

HOUSE VOTE

216-214

vote in favor of the resolution



This resolution is the first step toward a final bill to make permanent the tax relief we implemented in 2017 and deliver a transformational investment in our border, national, and energy security.”

— Sen. John Thune (R-SD)

FRAMEWORK EXTENDS 2017 TAX CUTS



Extends 2017 Trump tax cuts from the **Tax Cuts and Jobs Act**, which are set to expire at the end of 2025



Over **\$5 trillion in total tax relief** will be implemented over the next **decade**



Includes **\$1.5 trillion in new tax cuts**, beyond the 2017 extensions



Eliminates taxes on tips, fulfilling a Trump campaign promise



Aims to make individual and small business **tax cuts permanent**

Advanced Resolution

The advanced resolution will serve as a framework for reconciliation legislation

THE HURDLES

- More than a dozen House conservatives were initially skeptical of the Senate resolution due to concerns that the plan doesn't include enough in budget cuts to offset tax cut extensions
- A House vote on April 9 was canceled due to Republican holdouts before the resolution was passed on April 10



NEXT STEPS

- Republicans start this week to collaboratively draft reconciliation legislation for spending and tax cuts
- While the resolution only stipulated \$4 billion in spending cuts over the next decade, Speaker Johnson committed to at least \$1.5 trillion in cuts
- Significant spending cuts pose risks for Medicaid funding, an area of disagreement between moderate Republicans and hardline conservatives

DIFFERENCES BETWEEN ORIGINAL HOUSE GOP PLAN AND PASSED RESOLUTION

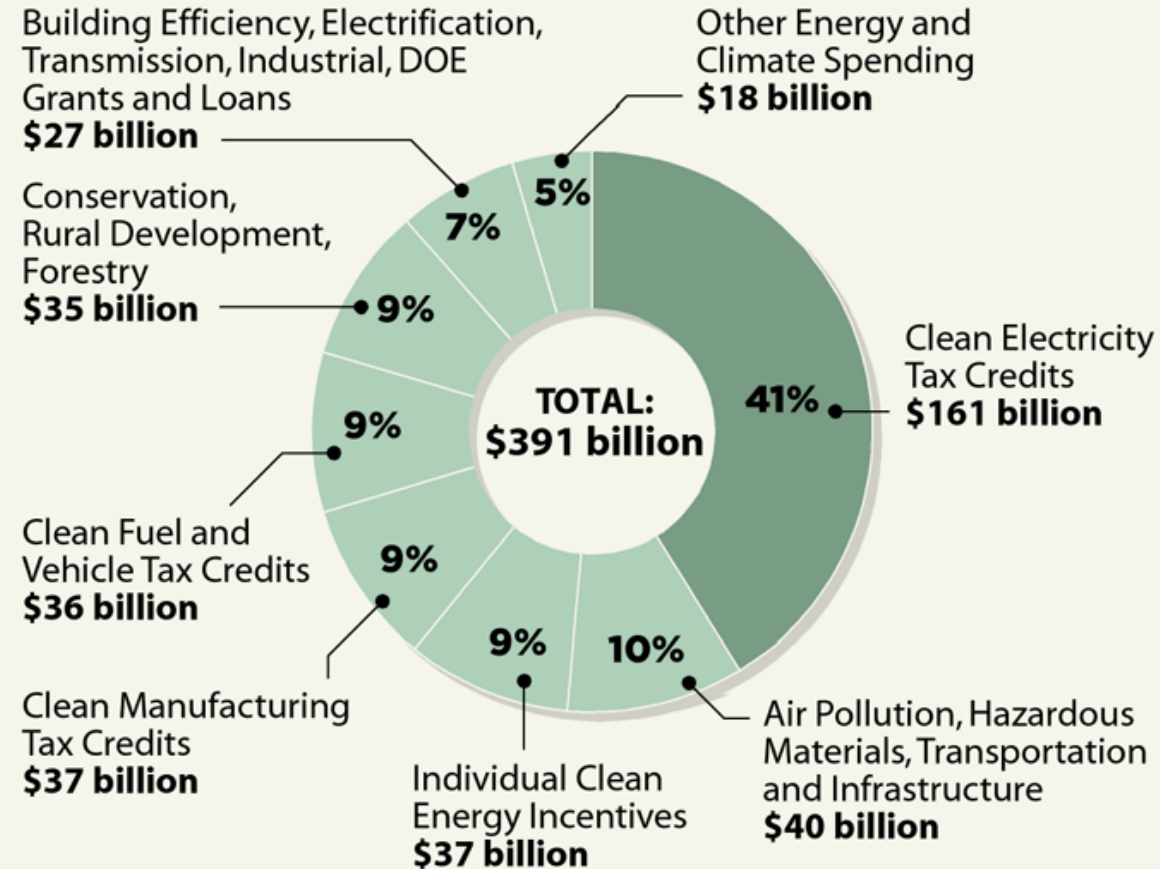
PROVISION	ORIGINAL HOUSE GOP PLAN	HOUSE & SENATE-PASSED GOP PLAN
Total tax cuts proposed	Approximately \$4.5 trillion cut over the next decade , focusing on extending the 2017 Tax Cuts and Jobs Act and introducing new cuts	Supports extending the 2017 tax cuts and includes additional tax reductions, with estimates suggesting up to \$5.3 trillion in total tax cuts over 10 years
Spending cuts	\$2 trillion in cuts , including Medicaid and SNAP	Minimal cuts (~\$4B)
Debt limit increase	Raises debt ceiling by \$4 trillion	Raises debt ceiling by \$5 trillion
Debt limit	Directs the Treasury to establish reciprocal agreements	Grants foreign issuers a two-year transition period to comply with US regulations

The IRA and Taxes

- IRA included \$391 billion in tax incentives
- IRA tax provisions are a target for Republicans in this Congress
- In addition to credits, the IRA created new policy allowing non-taxable electric cooperatives to receive direct pay (also known as elective payments) for expenditures that would be eligible for tax credits for a taxable entity.

What's in the Inflation Reduction Act?

The Congressional Budget Office has estimated that the energy and climate programs in the Inflation Reduction Act will cost \$391 billion. This number is probably incorrect because of uncertainty about spending on tax credits and other factors. Here are the parts that add up to the CBO's total:



NOTE: Percentages do not equal 100% due to rounding.

Section 6417 Elective Payment of Applicable Credits

“(1) APPLICABLE ENTITY.—

“(A) IN GENERAL.—The term ‘applicable entity’ means—

“(i) **any organization exempt from the tax imposed by subtitle A,**

“(ii) any State or political subdivision thereof,

“(iii) the Tennessee Valley Authority,

“(iv) an Indian tribal government (as defined in section 30D(g)(9)),

“(v) any Alaska Native Corporation (as defined in section 3 of the Alaska Native Claims Settlement Act ([43 U.S.C. 1602\(m\)](#))), or

“(vi) **any corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas.**



2025 Reconciliation: Energy Credit Vulnerability



1. Electric Vehicles (30D/25E/45W)
2. EV refueling property (30C)
3. Low-income communities wind/solar credit allocation (48E(h))
4. Energy communities bonus credits (45Y(g)(7)/48E(a)(3)(A))
5. Advanced energy projects credit allocation (48C)
6. Energy efficient commercial building deduction (179D)
7. Energy efficient home improvements & builders (25C/25D/45L)
8. Transferability/elective payment (6418/6417)
9. Domestic-content bonus credits (45Y(g)(11)/48E(a)(3)(B))
10. Advanced manufacturing PTC (45X)
11. Clean hydrogen credit (45V)
12. Tech-neutral electricity PTC/ITC (45Y/48E)
13. Tech-neutral clean fuels PTC (45Z)
14. Zero-emission nuclear power PTC (45U)
15. Carbon capture credit (45Q)

