



**National Rural Electric  
Cooperative Association**

A Touchstone Energy® Cooperative 

April 15, 2013

Hon. Dave Camp  
Chairman  
House Ways & Means Committee  
1102 Longworth House Office Bldg.  
Washington, DC 20515

Hon. Sander Levin  
Ranking Member  
House Ways & Means Committee  
1106 Longworth House Office Bldg.  
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric utilities that provide electric energy to over 42 million people in 47 states or 12 percent of electric customers. Our members employ over 60,000 Americans.

The vast majority of NRECA members are not-for profit, consumer-owned distribution cooperatives. NRECA's members also include approximately 67 generation and transmission ("G&T") cooperatives, which generate and transmit power to 668 of the 838 distribution cooperatives. Both distribution and G&T cooperatives were formed to provide reliable electric service to their owner-members at the lowest reasonable cost.

Today, we thank you for the opportunity to provide comments on the Committee's Tax Reform Working Groups. NRECA and our member cooperatives do much more than just keep the lights on with safe, reliable and affordable electricity, which is demonstrated by the breadth of our programs regulated under the Internal Revenue Code. Our comments are enclosed with this letter, but are summarized here:

Energy Tax Policy

- When tax exempt financing, interest free loans, or energy incentives exist, or are considered by Congress, cooperatives should be provided with incentives equal to other energy providers. Programs, such as the Clean Renewable Energy Bonds, that provide comparable benefits should be available for electric cooperatives.
- Congress should create tax-exempt financing for electric cooperatives.
- Congress should oppose tax proposals similar to a "carbon" tax on fossil fuels, or any new "energy" or "BTU" taxes that impose a burden on NRECA member-consumers through increased rates.

## Charitable/Exempt Organizations

- NRECA strongly supports policies ensuring that not-for-profit electric cooperatives maintain their current tax status, and are not adversely impacted by federal tax law.
- NRECA also strongly supports other not-for-profit cooperative partners like the National Rural Utilities Cooperative Finance Corporation (CFC) to maintain their not-for-profit status.

## Pensions/Retirement

- NRECA is proud that the vast majority of its members offer comprehensive retirement benefits through both a traditional defined-benefit plan (the NRECA Retirement Security Plan) and a defined-contribution plan (the NRECA 401(k) Plan).
- NRECA supports legislation to protect the ability of co-ops to offer both plans created under § 413(c) of the Code, and policies protect our employees' ability to save for their retirement through 401(k) plans and other investment vehicles.
- Congress should enact policies specifically designed for “multiple-employer” defined-benefit plans, especially in the funding area, to eliminate “Square Peg / Round Hole” rules & regulations.
- Congress should preserve tax policies that encourage employers to provide and empower employees to save for retirement in defined-benefit plans, 401(k) plans, and other retirement savings vehicles that simply defer taxation, unlike permanent tax exclusions.
- Congress should oppose proposals that increase the costs of / discourages participation in defined-benefit plans, 401(k) plans, and other retirement savings vehicles like those contained in the Administration’s FY2014 Budget. This includes capping retirement contributions/accruals in such plans, arbitrarily increasing PBGC premiums by \$25 billion, and ceding its taxing authority to the Administration to set premium rates paid by plan sponsors.

## Education and Family Benefits, Financial Services and Small Business (Combined)

### *Health Care*

- NRECA supports tax policies that ensure all member cooperatives, regardless of their size and location, have access to affordable comprehensive and flexible health care and insurance programs for current and former employees and their dependents.
- Electric cooperatives collectively provide health insurance benefits to over 100,000 employees, retirees and their families. Authorized under ERISA, the NRECA Group Benefits Trust is a national plan that allows each member co-op to design a health benefits package tailored to meet the unique needs of its employees and retirees.

- NRECA maintains a trust under section 501(c)(9) of the Code which makes it possible for member cooperatives to obtain group medical and other insurance coverage on a nationwide basis.
- Congress must preserve each electric co-op's ability to tailor its employer provided health benefits package as currently allowed under ERISA.
- Congress should oppose taxing any part of a co-op employee's health care benefits – with the ACA's 40 percent excise tax starting in 2018, or other tax proposals that change the employee tax exclusion or employer tax deduction – that will leave electric cooperative families with less comprehensive health coverage and higher out of pocket costs.

Thank you again for the opportunity to provide you with our comments today. We look forward to continuing our work with you and your staffs as this process continues.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kirk D. Johnson', with a long horizontal flourish extending to the right.

Kirk D. Johnson  
Senior Vice President, Government Relations