Edison Electric INSTITUTE

The Deduction for Corporate State and Local Taxes (C-SALT) Should Be Maintained

The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. EEI's member electric companies provide safe, reliable electricity to nearly 250 million Americans and operate in all 50 states and the District of Columbia. The electric power industry is one of the most capital-intensive industries in the country, and EEI's member companies are projected to invest more than $200 billion this year to make the energy grid stronger, smarter, cleaner, more dynamic, and more secure.

Electric companies support policies that broaden the tax base and reduce customer rates. Current tax law allows companies to deduct the state and local taxes (SALT) they pay from their federal income tax. While tax provisions affect each company differently, maintaining this ability to deduct SALT is critically important to all electric companies because they often are the largest taxpayers in the state.

Removing the Deduction for C-SALT Will Raise Electricity Prices Across the Country

Collectively, EEI's member electric companies currently pay more than $25 billion annually in state and local taxes. This amount historically has increased by 3 to 4 percent annually, with sharper growth expected in the coming years due to an upsurge in electricity demand led by the rapid expansion of data centers, advanced manufacturing, and other technological advancements. As the owners of the assets that make up America's critical energy infrastructure, electric companies pay substantial property taxes to states and municipalities across the country.

Most states also subject electric companies to additional taxes, such as gross receipts taxes, sales and use taxes, transaction privilege taxes, excise taxes, infrastructure maintenance taxes, environmental taxes, franchise taxes, fuel energy taxes, and public service commission taxes. As a result, electric companies usually are the largest payers of state and local taxes in their respective states, and revenues from these taxes provide a major source of funding for schools, public safety services like police and fire departments, and road construction and maintenance.

State and Local Taxes for Electric Companies in 2024

	Income	Property	Sales/Use	Other	TOTAL
State Taxes	$0.7B	$2.0B	$3.4B	$2.8B	**$8.9B**
Local Taxes (County/City)	$0.0B	$14.2B	$0.7B	$1.5B	**$16.4B**
Total Taxes	$0.7B	$16.2B	$4.1B	$4.3B	**$25.3B**

State regulators factor federal taxes into their process for setting electricity rates, and they require electric companies to pass tax credit savings directly through to customers. As a result, any limitation to the deductibility of state and local taxes will result in higher customer bills. Maintaining full deductibility of all state and local taxes for electric companies is absolutely essential for customer affordability, especially during the current inflationary environment.

The Deduction for State and Local Taxes Is a Normal Business Expense

The deduction for state and local taxes has long been considered a normal business expense, and changing that status would disrupt planned investments.

As stated recently by the Tax Foundation:

> "While capping C-SALT has superficial appeal in perceived parity with personal limits, it rests on flawed assumptions about the nature of individual and corporate income taxes. The ability to deduct expenses to yield a tax base of corporate profits is intrinsic to corporate net income taxation. Capping C-SALT is a backdoor increase in effective corporate income tax rates, but a particularly arbitrary one, disproportionately harming businesses and industries with greater exposure to state taxes."[1]

State and local taxes represent material cash outflows for electric companies, and any loss of the corporate SALT deduction will have adverse impacts on both a company's annual tax liability and its effective tax rate. If Congress changes the current laws for deducting corporate state and local taxes, electric companies will face a disproportionate tax increase, undermining the customer savings and pro-growth tax policies delivered by President Trump's Tax Cuts and Jobs Act.

Preserving Full Deductibility of Corporate State and Local Taxes Helps Strengthen Energy Security

Not all capital is mobile. EEI's member electric companies cannot relocate to wherever state and local taxes are lowest; they have an obligation to provide safe, reliable, and affordable electricity to their service territories, regardless of taxes paid to states and localities. Denying companies the ability to deduct corporate SALT would impose a crude tax that disproportionately impacts heavily taxed and capital-intensive industries, discouraging new investment in much-needed energy infrastructure. Moreover, disallowing a deduction for C-SALT likely would increase customer electricity bills substantially.

Contact:

Kristen Siegele
Senior Director, Government Relations
ksiegele@eei.org
202-508-5774

April 2025

[1] *Congressional Policymakers Should Tread Carefully When Weighting New Corporate SALT Deduction Limits*. Tax Foundation. March 3, 2025. https://taxfoundation.org/blog/corporate-tax-deduction-c-salt/