Minnesota Municipal Utilities Association

2025 Federal Legislative Priorities

Issue Discussed	Requested Legislative Action
Municipal bonds	**Protect and continue the current tax exemption for municipal bonds.** Bonding is the primary way local governments finance infrastructure. Current law exempts the interest paid on municipal bonds from being subject to federal taxes and has provided this exemption since the US federal tax code was developed in 1913. This makes municipal bonds more attractive to investors, and it collectively saves local governments billions of dollars each year. Subjecting municipal bonds to taxes would amount to being a tax imposed on local government and would increase the costs of projects. These increases would be passed on to customers through increased utility rates, higher taxes, enhanced user fees, and other added costs.
Support direct/elective pay tax credits	**Preserve and protect "direct pay," aka "elective pay," tax credits as authorized by Congress in 2022.** This tool helps level the playing field for municipal utilities looking to invest in clean energy. Under direct pay, all sectors of the electricity industry—private investor-owned utilities (IOUs), rural electric cooperatives, and municipal utilities—have access to these new tax credits that provide financial incentives to promote a wide array of clean energy solutions. These resources include nuclear, carbon capture, battery storage, hydro, and other renewable energy infrastructure.
Public finance	**Complete the modernization of public finance laws.** Our priorities include (1) restoring the authority to use advance refunding bonds which will save municipal utilities millions of dollars in interest rates, (2) increasing the threshold under which a lender remains a small issuer from $10 million to $30 million, thus allowing smaller lending institutions to remain competitive at the local level, and (3) exempting public finance bonds and grants to local governments from sequestration and recission, which will help protect stability and encourage investment in our communities.
Taxes on nonprofits	**Oppose additional taxing of nonprofits. Nonprofit entities are currently exempt from most federal income taxes.** They do currently pay federal taxes on unrelated business income (UBIT), and they pay many other forms of tax as well. Additional taxing of nonprofits will increase costs, which in turn will likely reduce the services they can offer for the greater good. Further taxing of entities like MMUA that assist local governments amounts to taxing the local units because they will have to pay more for the specialized services offered by the nonprofit. These expenses will, in turn, be passed on to ratepayers, indirectly increasing their taxes through higher utility bills.
Permitting reform	**Support bipartisan permitting reform legislation.** We urge Congress to approve bipartisan legislation that (1) streamlines federal regulations and permits for energy projects across the country, (2) allows new energy infrastructure, including pipelines and transmission, and (3) reduces judicial review guidelines.

Issue Discussed	Summary of Discussion
Lead service lines replacement	**Repeal the mandate to replace lead service lines by 2037 or pass legislation that makes compliance feasible.** While municipal utilities believe everyone should have safe drinking water, the current federal mandate creates an under-funded requirement and exposes utilities to increased liability for property damage incurred during a switch out. Estimated costs are several times higher than the $15 billion currently budgeted to help local governments offset the expense of replacing lead service lines. Alternatively, make the deadline attainable by (1) providing full funding to replace existing lead pipes, and (2) pass immunity protections to hold utilities harmless for damages that may occur to property and structures as a result of the excavation and related work required to switch out the service lines.
Workforce incentives	**Sign onto and support the Freedom to Invest in Tomorrow's Workforce Act.** HR 1151 has enjoyed broad bipartisan support in the past, including having Rep. Finstad as a co-author. Now is the time to get it passed and signed into law. Workforce shortage is a widespread problem for utilities, especially those located in less populated areas. HR 1151 is legislation that would allow more flexibility in how the proceeds of a 529 Savings Plan can be spent. For the first time 529 funds could be used for expenses related to training in middle-skill jobs that may require a certificate or license but not a college degree or graduate education. These skilled trade jobs make up the majority of utility jobs. Passing this legislation will help train workers for these essential positions. We encourage the Senate to reintroduce comparable and complementary legislation such as was authored and/or sponsored by Sen. Klobuchar in the 118th Congress including S.83—American Apprenticeship Act, S.722—Freedom to Invest in Tomorrow's Workforce Act, and S.3816—Skills Investment Act of 2024.

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