

February 28, 2024

|   |            |           |
|---|------------|-----------|
|   | <b>Yes</b> | <b>No</b> |
| <b>DOR Administrative Costs/Savings</b> |            | <b>X</b>  |

Department of Revenue  
Analysis of S.F. 1119 (Pratt) As Proposed to be Amended (SCS1119A-1)

|              | <b>Fund Impact</b>      |                         |                         |                         |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
|              | <b><u>F.Y. 2024</u></b> | <b><u>F.Y. 2025</u></b> | <b><u>F.Y. 2026</u></b> | <b><u>F.Y. 2027</u></b> |
| General Fund | \$0                     | (\$9,300)               | (\$7,700)               | (\$8,200)               |

Effective beginning in tax year 2024.

**EXPLANATION OF THE BILL**

**Current Law:** Utilities that operate nuclear power plants are required to set up decommissioning funds, which will be used to dismantle the plants at the end of their service life. When a nuclear power plant is dismantled, the prior years’ contributions and the earnings on the contributions are used to pay for decommissioning. The earnings of decommissioning funds are subject to tax.

**Proposed Law:** Under the bill, the earnings of nuclear decommissioning funds would be exempt from tax.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on public court documents and Decommissioning Trust Fund Balances published by the United States Nuclear Regulatory Commission (NRC) as part of their biennial Decommissioning Funding Status Report.
- The total assets of the three decommissioning trust funds in Minnesota were estimated for 2009 through 2012 and compared to tax liability for those years as stated in public court documents.
- The average annual balance of the trust funds was estimated at \$1.004 billion from 2009 to 2012.
- From public court documents, the average annual tax liability for the trust funds was about \$3.1 million from 2009 to 2012. Annual tax liability as a percent of the fund balance was about 0.31%.
- According to the NRC report amounts, the asset balance of the trust funds grew at about 6.9% annually from 2014 to 2022, with a combined balance of \$1.967 billion in 2022. Balance amounts beyond 2022 were estimated to grow at 6.9% per year.
- The tax amounts are estimated to be 0.31% of future fund balances.
- All of tax year 2024 is allocated to fiscal year 2025. All remaining years are allocated 30% / 70% to fiscal years.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>