

April 18, 2024

Revised for New Information

	Yes	No
DOR Administrative Costs/Savings		X

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

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
General Fund	\$0	(\$7,300)	(\$6,000)	(\$6,400)

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 the average amount of tax paid by nuclear decommissioning funds from 2017 to 2022, excluding tax year 2021 because of unusually high capital gains in that year.
- According to amounts published in the United States Nuclear Regulatory Commission’s biennial Decommissioning Funding Status Report, the asset balance of trust funds grew at about 6.9% annually from 2014 to 2022.
- On average, nuclear decommissioning funds pay about \$5.5 million in taxes annually. This average is assumed for tax year 2024.
- The tax impact is assumed to grow at 6.9% per year, based on average annual growth in the trust fund balances published by the United States Nuclear Regulatory Commission (NRC) in their biennial Decommissioning Funding Status Report.
- 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>