

Subject Exemption; nuclear decommissioning reserve funds

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Overview

H.F. 3817 would exempt nuclear decommissioning reserve funds from the income and corporate franchises taxes imposed under Minnesota Statutes, chapter 290.

Federal regulations require an owner of a nuclear power plant to set aside funds to be used for the costs of decommissioning a nuclear power plant when it reaches the end of its useful life.

Section 468A(a) of the Internal Revenue Code allows a plant owner to deduct the payments made into a nuclear decommissioning reserve fund according to an approved schedule. Reserve funds may only be used for administrative expenses, decommissioning costs, or to make investments. Distributions from a fund are included in a plant owner's gross income, which may be offset by deductions for actual costs associated with decommissioning a nuclear plant.

The funds are trusts that are treated under the Internal Revenue Code as corporations and on which a 20 percent federal tax on the gross income of the fund is imposed.

In Minnesota, the income of a fund is taxed via the corporate franchise tax. In general, corporate income is apportioned to the state based on Minnesota sales, while federal constitutional rules restrict the inclusion of a business's investment income in the business's apportionable income, although that income may be allocated to the taxpayer's domicile.

Summary

Section	Description
1	<p>Exempt entities.</p> <p>Adds nuclear decommissioning reserve funds to the list of entities exempt from the tax imposed under chapter 290 (income and franchise taxes).</p> <p>Effective date: tax years in 2022 and thereafter.</p>



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