MN HOUSE RESEARCH

Bill Summary

H.F. 2104

As introduced

Subject	Exempt entities – nuclear decommissioning reserve funds
Authors	Haley and others
Analyst	Christopher Kleman
Date	March 20, 2018

Overview

H.F. 2104 would exempt a nuclear decommissioning reserve fund from the income tax. Federal law requires nuclear power plant owners to set aside money to pay for decommissioning costs. Though technically trusts, the funds are treated as corporations under the federal Internal Revenue Code and are required to file a separate return. However, the funds are only subject to a 20 percent tax on their gross income. Gross income does not include the payments made into the fund, and other deductions apply; therefore, most the taxable income in a fund is interest and dividend income.

For nonresidents, estates, trusts, and corporations, under Minnesota law, income is either allocated or apportioned to Minnesota. Nonbusiness income (such as passive investment income) would be allocated to the state. If the recipient of the income is a Minnesota resident or resident trust, this allocation rule would also apply. Income from a trade or business is apportioned to Minnesota based on the business's Minnesota sales.

Minnesota currently has three nuclear reactors in the state for which federal law requires a fund.

Summary

Section	Description
1	**Exempt entities.** Adds nuclear decommissioning reserve funds to the list of entities that are exempt from income tax.