

## TAX CREDIT FOR USE OF SMALL MODULAR REACTORS

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<http://www.house.mi.gov/hfa>

**House Bill 4128 as introduced**  
**Sponsor: Rep. Greg VanWoerkom**  
**Committee: Energy**  
**Complete to 2-26-25**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4128 would amend the Income Tax Act to provide a credit against the corporate income tax (CIT) based on the taxpayer's sale of electricity generated using small modular nuclear reactors.

Specifically, for tax years beginning on and after the bill's effective date, a taxpayer could claim a credit against the CIT equal to \$1 for each kilowatt hour of electricity the taxpayer produces using *small modular reactors* at a *qualified facility* and sells during the tax year to an unrelated person.<sup>1</sup> A taxpayer could claim the credit only for the first 10 years of operation after the small modular reactors are first put in service, and only for the first 10,000 megawatts of electricity produced by a single qualified facility. Any amount of the credit that exceeds the taxpayer's tax liability for the tax year would not be refundable, but could be carried forward for up to 15 tax years.

*Small modular reactors* would mean small-scale *advanced nuclear reactors* that use fission to generate electricity and that have a power capacity of up to 350 megawatts of electricity. Small modular reactors could be constructed and operated in combination with similar reactors at a single site.

*Advanced nuclear reactors* would mean that term as defined in 42 USC 16271.<sup>2</sup>

*Qualified facility* would mean an *advanced nuclear reactor facility* that is owned by the taxpayer and that uses small modular reactors put in service before June 1, 2030, to produce electricity. (This would require the facility to have some small modular reactors in service before that date, but would not limit credit eligibility to only small modular reactors that are themselves in service before that date.)

*Advanced nuclear reactor facility* would mean a facility that uses *advanced nuclear reactor technologies*.

*Advanced nuclear reactor technologies* would mean material improvements to a utilization facility, as defined in 42 USC 2014 and 10 CFR 50.2,<sup>3</sup> that has significant improvements, including additional inherent safety features, compared to reactors

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<sup>1</sup> A person under common control would be considered related to the taxpayer.

<sup>2</sup> <https://www.law.cornell.edu/uscode/text/42/16271>

<sup>3</sup> 42 USC 2014: <https://www.law.cornell.edu/uscode/text/42/2014>

10 CFR 50.2: <https://www.ecfr.gov/current/title-10/chapter-I/part-50/subject-group-ECFR1aad221999377bf/section-50.2>

operating before January 1, 2016, in the United States. Advanced nuclear reactor technologies would include both of the following:

- Advanced nuclear reactors.
- Existing electricity generating facilities benefiting from research, development, demonstration, and commercialization programs, as described in 42 USC 16272,<sup>4</sup> in Michigan powered by nuclear energy that have completed a life cycle management program.

The bill can take effect only if House Bills 4124 to 4127 and 4129 are also enacted.

Proposed MCL 206.678

#### **FISCAL IMPACT:**

The bill would have an indeterminate fiscal impact overall and would depend on the number of qualified facilities and small modular reactors put into operation. However, the bill would prohibit a taxpayer from claiming a credit for more than 10 years and limit the total credit claimed for an individual taxpayer to \$10.0 million (10,000 megawatt hour equivalent) at a qualified facility. The amount of credit any taxpayer would claim within a given fiscal year cannot be estimated with any accuracy and would depend on the amount of energy generated.

Any revenue loss would be borne by the general fund. To the extent that any of the activity would not have occurred but for the provisions of the bill, that would mitigate the fiscal impact. However, this cannot be determined with any certainty.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

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<sup>4</sup> <https://www.law.cornell.edu/uscode/text/42/16272>