



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 657/Senate Bill 636: Sales Tax Exemption for Nuclear Fusion Projects

Assembly Bill 657 (AB 657) was introduced on November 19, 2025, and referred to the Assembly Committee on Ways and Means. That Committee held a public hearing on the bill on January 8, 2026. Assembly Substitute Amendment 1 (ASA 1) to AB 657 was introduced on January 29, 2026. The Assembly Committee on Ways and Means recommended the bill for passage, as amended by ASA 1, on February 4, 2026, by a vote of 10 to 0. The bill was referred to the Joint Survey Committee on Tax Exemptions on February 6, 2025, and that Committee found the tax exemption provision in the bill to be good public policy, on a vote of 9 to 0. AB 657, as amended by ASA 1, passed the Assembly on February 12, 2026, by a vote of 92 to 6, and was immediately messaged to the Senate. The engrossed bill was referred to the Joint Committee on Finance on February 13, 2026.

Senate Bill 636 (SB 636) is an identical companion bill that was introduced on November 14, 2025, and referred to the Senate Committee on Agriculture and Revenue. Senate Substitute Amendment 1 (SSA 1) to SB 636 was introduced on January 29, 2026. That Committee held a public hearing on the bill on January 13, 2026, and recommended the bill for passage, as amended by SSA 1, on February 3, 2026, by a vote of 8 to 0. The Joint Survey Committee on Tax Exemptions report, received on February 10, 2025, found the tax exemption provision in the bill to be good public policy, on a vote of 9 to 0. The bill was referred to the Joint Committee on Finance on February 13, 2026.

AB 657/SB 636 are herein referred to as "the bill." ASA 1 and SSA 1 are identical and are herein referred to as "the substitute amendment."

BACKGROUND

Wisconsin imposes a 5% general sales tax on retail sales of tangible personal property, certain digital goods, and selected services in Wisconsin. The use tax is imposed on taxable sales that occur in other states if the purchased item is used in Wisconsin. The tax on tangible personal property is a

general sales tax imposed on all retail sales unless a specific exemption is provided.

SUMMARY OF THE BILL

The bill would provide a sales and use tax exemption for sales of, and the storage, use, or other consumption of, various items, enumerated in the bill, used exclusively for a "qualified nuclear fusion technology project" and used solely at the qualified nuclear fusion technology project's location. The bill would also provide an exemption for sales of such items sold to a contractor that transfers the items to a qualified nuclear fusion technology project, if such items become components of the qualified nuclear fusion technology project. The bill would define a "qualified nuclear fusion technology project" as a project conducted by a business entity or its affiliate that has the purpose of undertaking the controlled fusion of atomic nuclei or research thereupon, including energy generation, propulsion systems, materials research, medical isotope production, neutron sources, plasma physics research, and any other application making use of fusion reactions or fusion-enabling technologies.

The bill would require that the Wisconsin Economic Development Corporation (WEDC) certify a qualified nuclear fusion technology project for purposes of the sales and use tax exemption. WEDC would be required to identify and contract with the business entity undertaking the qualified nuclear fusion technology project.

The bill would take effect on the first day of the third month beginning after publication.

FISCAL EFFECT OF THE BILL

In its fiscal note, the Department of Revenue (DOR) stated that the fiscal effect of the bill was indeterminate, given the unknown timing, location, and scale of future nuclear fusion projects in this state.

As an example, the federal government invested \$1.48 billion for funding fusion projects in 2024. Assuming Wisconsin projects received a 12% share of that investment, proportional to the state's share of nuclear fusion companies in the U.S., it is estimated that the state received \$178 million. Assuming 50% of this investment is used towards items that would qualify for the sales tax exemption, the bill would result in \$4.4 million in foregone sales tax collections as a result of this investment over the course of the project. Due to the unknown timing of expenditures and potential additional private or governmental investments, the total and annual fiscal effect of this bill is unknown.

In its fiscal note, WEDC estimates that upfront costs of \$50,000 to implement the program under the bill would not be absorbable with WEDC's existing resources. Ongoing costs of the bill are unknown. The bill would not provide additional funding to WEDC; therefore, WEDC's Board would need to reallocate funding from other economic development programs to administer the provisions of the bill.

SUMMARY OF THE SUBSTITUTE AMENDMENT

The substitute amendment would provide a sales and use tax exemption for sales of, and the storage, use, or other consumption of, tangible personal property and leasing property that is affixed to real property used exclusively and directly for a "nuclear fusion technology project" and used solely at the nuclear fusion technology project's location, including purchases made by construction contractors who transfer such property to their customers in fulfillment of a real property construction activity. A "nuclear fusion technology project" would mean a project that has the purpose of undertaking the controlled fusion of atomic nuclei or research thereupon, including energy generation, propulsion systems, materials research, medical isotope production, neutron sources, plasma physics research, and any other application making use of fusion reactions or fusion-enabling technologies.

Compared to the bill, the substitute amendment would apply the exemption to tangible personal property generally, rather than to a list of specified property. In addition, purchases of such property would be exempt for construction contractors if the property is transferred in fulfillment of a real property construction activity, rather than if such property becomes a component of the qualified nuclear fusion technology project. Further, the substitute amendment removes language in the definition of a qualified nuclear fusion technology project that requires that the project be conducted by a business entity or its affiliate, and does not require WEDC to certify a qualified nuclear fusion technology project for purposes of the sales and use tax exemption.

Under the substitute amendment, the sales and use tax exemption would take effect on the first day of the third month beginning after publication, but would not apply after December 31, 2076.

FISCAL EFFECT OF THE SUBSTITUTE AMENDMENT

The fiscal notes provided by DOR and WEDC were prepared prior to the substitute amendment's introduction. However, the substitute amendment is estimated to have an unknown, but slightly larger impact on state tax revenues than under the bill, due to the potential that items not specified under the bill would become exempt under the substitute amendment. WEDC would not incur administrative costs to administer the exemption under the substitute amendment.

As an example, the federal government invested \$1.48 billion for funding fusion projects in 2024. Assuming Wisconsin projects receive a 12% share of that investment, proportional to the state's share of nuclear fusion companies in the U.S., it is estimated that the state received \$178 million. Assuming 55%, rather than 50% under the bill, of this investment is used towards items that would qualify for the sales tax exemption, the bill would result in \$4.9 million in foregone sales tax collections as a result of this investment over the course of the project. Due to the unknown timing of expenditures and potential additional private or governmental investments, the total and annual fiscal effect of this bill is unknown.

Utility-Scale Projects. The bill would include energy generation as a type of nuclear fusion project for which the sales and use tax exemption could be applied. Nuclear fusion technology is not yet developed at a scale that can be deployed for electricity generation by public utilities in

Wisconsin. To the extent nuclear fusion could be deployed by public utilities in the future, the bill would likely reduce capital expenses incurred in the construction of such generating facilities.

In general, electric-generating utilities that undertake capital expenditures for generating facilities recoup costs from utility customers through rates approved by the Public Service Commission. It is plausible that reduced tax-related expenditures for capital projects under the bill would lower the amount a facility would need to recoup from ratepayers for fusion-based facilities placed in service. However, it is assumed that such expenditures would be spread over a large base of ratepayers over many years, and as a result, the impact on an individual payer's regular billings would likely not be significant.

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