

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 416  
**Version:** First engrossment

**DATE:** March 13, 2015

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**Subject:** Reduced iron ore tax incentive

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### Overview

The first section of this bill changes the way the appropriation from the occupation tax on mining to the DNR's Mining and Environmental Regulatory account is determined.

The second section of the bill amends the section of Minnesota Statutes that imposes a production tax on taconite. The proposed changes to this section of law would modify the definition of direct reduced ore, exempt from the production tax the non-commercial use of taconite by producers of direct reduced ore, and extend a tax incentive for the production of direct reduced ore to new producers.

#### Section

- 1**     **Occupation tax appropriation.** Currently, proceeds from the occupation tax on mining are deposited into the general fund. Of the funds deposited, 50% is appropriated for educational purposes (40% for primary and secondary schools and 10% for the University of Minnesota). The Minnesota Department of Natural Resources receives in its Mining and Environmental Regulatory account the equivalent of what 2.5 cents per taxable ton would be under the production tax from the remaining 50% of the occupation tax deposited in the general fund and not appropriated for educational purposes. This section changes the way that the amount of DNR's appropriation is determined by appropriating to them the greater of either what they would receive under the 2.5 cents per ton calculation or \$1,500,000.
- 2**     **Production tax imposed.** This section of the bill modifies the definition of direct reduced ore, exempts non-commercial use of taconite in some instances from the production tax, and

## Section

allows new producers of direct reduced ore to take advantage of a tax incentive for producing this type of ore.

- **Direct reduced ore definition.** Changes the definition of direct reduced ore from ore with an iron content of at least 75% to ore that has an iron content of at least 67% and a silica plus alumina content of no greater than 3%.
- **Production tax on noncommercial use of taconite.** Exempts from the production tax the taconite and iron sulphides consumed during a facility's non-commercial production of direct reduced ore.
- **Effective date.** Removes the restriction in paragraph (g), clause (4), preventing new producers of direct reduced ore from taking advantage of the tax incentive in paragraph (g), clause (1).