

# HOUSE RESEARCH

## Bill Summary

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**Subject:** Nonferrous Mining Tax Rate Changes and Distributional Changes

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### Overview

Minnesota's mining industry is generally exempt from local property taxes and, instead, is subject to a series of taxes including production taxes, excise taxes, royalty taxes, and occupation taxes. The majority of mining industry revenues are received through the taconite production tax. The proceeds of the minerals taxes are required to be deposited into a variety of funds, and state statutes also contain formulas to provide for the distribution of revenues received from minerals taxes.

This bill makes modifications to the tax rates for nonferrous metals, modifies the distribution of revenue from nonferrous metals, and modifies the distribution of the school share of taconite revenue.

- 1**      **Occupation tax; other ores.** Lowers the mining occupation tax on nonferrous metals from 2.45 to 1.45 percent of taxable income.
- 2**      **Tax imposed.** Increases the mining net proceeds tax on nonferrous metals from two to three percent of the net proceeds.
- 3**      **Within taconite assistance area.** Broadens the allocation of the nonferrous metals taxes to include the city or town where the concentrating takes place. Allocates 50 percent of the proceeds based on mining and extracting and 50 percent on the basis of where the ore is concentrated. Lowers the percentage of the funds that are provided to the Douglas J. Johnson economic protection trust fund from five to three percent of the total and increases the percentage of funds that are set aside from the taconite environmental protection fund from five to seven percent of the total.
- 4**      **City or town where quarried or produced.** Allocates nine cents per taxable ton, instead of four cents per taxable ton, to the cities and organized townships affected by the location of taconite mine pit. Eliminates the requirement that this money must be evenly split among infrastructure improvements and cooperative projects. Eliminates the requirement that a municipality receiving a distribution under this section must annually report on its projects to the Iron Range resources and rehabilitation board (IRRRB).
- 5**      **School districts.** Raises the school district distribution of the production tax from 23.15 cents per taxable ton to 26.15 cents per taxable ton (the 23.15 cents per ton include 3.43 cents for the taconite

schools, 4 cents for the school buildings maintenance fund and 15.72 for school districts within the taconite relief area). Raises from 4 to 7 cents the amount per taxable ton from each facility that must be dedicated to building maintenance and repairs. Splits the distribution of the Northshore Mining Company proceeds among three school district (St. Louis County schools 3/7 of the total; Lake Superior schools 3/7 of the total; and Ely schools 1/7 of the total). The prior split excluded Ely and was based on the relative share of pupils in the St. Louis County schools and the Lake Superior schools.