

## Mining Taxes

***What taxes does the iron mining industry pay?***

Mines and facilities used in the production of taconite are exempt from the property tax. In lieu of the property tax, the iron mining industry pays a **production tax** based on the tons of taconite produced. The industry is also exempt from the corporate franchise tax and instead pays an **occupation tax**.

***What is the total tax paid by mining companies?***

As reported by Department of Revenue, *Mining Tax Guide* (2018), Minnesota collected \$104.9 million from taconite-related taxes in 2018. The breakdown of the taxes is shown in the table. In addition, state general fund aid of \$7.1 million was distributed with the production tax revenues.

Tax	amount (millions)	% of total
Production	\$86.7	82.6%
Occupation	13.1	12.5%
Sales & use	4.9	4.6%
Other	.3	0.3%
Total	\$105	

***How does the occupation tax differ from the corporate tax?***

The occupation tax is similar in structure to the corporate franchise tax—the tax applies to a synthetic measure of profits from only the corporation’s mining operations—yet there are some key differences. The occupation tax rate of 2.45 percent is lower than the regular corporate rate of 9.8 percent. This lower rate can be seen as compensation for the statutory requirement that all taconite sales (which occur out of state and would not therefore be used to determine how much income is taxable under the franchise tax) are deemed to be Minnesota sales.

***How is the production tax calculated?***

The following are some of the key features of the production tax:

- The tax is computed using a **tax rate**, expressed as a dollar amount per taxable ton of taconite production (\$2.701 for production year 2017, distributed in 2018). The tax rate is set in state law, not by local levy decisions, and is indexed for inflation. For 2018 production, the rate was \$2.751 per ton.
- The **tax base** is taxable tons, computed using a three-year average to keep the tax base stable. For example, tons produced in calendar years 2015, 2016, and 2017 are used to compute taxable tons for production year 2017, distributed in 2018 (32.1 million tons).
- The state calculates the tax amounts and notifies each mining company how much to pay.
- **Payments** are due in two equal installments by February 24 and August 24.
- The state notifies the counties of the distribution to each city, town, and school district, and the county then pays each affected local government.
- A 22-cent per ton state general fund payment supplements distributions of production tax revenues. For the 2018 distribution, this amount was \$7.1 million. This increased the total distribution by about 6.8 percent.

**Who receives the production tax revenues?**

Because it is in lieu of the property tax, the taconite production tax is paid to local governments and is a major revenue source for counties, cities, towns, and school districts located in the “taconite relief area.” The taconite relief area includes all or a portion of Cook, Lake, St. Louis, Itasca, Aitkin, Crow Wing, and Koochiching counties. Part of the revenue is also paid to the Iron Range Resources and Rehabilitation Board (IRRRB), a state agency that conducts a variety of operations on the Iron Range.

**How are the taxes distributed?**

The formula for distributing production tax revenues is specified in statute and is generally defined on a cents-per-taxable-ton (CPT) basis. By statute, the remainder goes to the Douglas J. Johnson economic protection trust fund (DJJ) and the taconite environmental protection fund (TEPF). The 2018 tax was distributed as follows:

Distribution	Amounts <sup>(a)</sup>
Cities and townships	\$10,407,124
School districts	30,777,075
Counties	11,101,581
Property tax relief and misc.	13,546,809
IRRRB	27,777,242
Range Association of Municipalities and Schools	118,494
Hockey Hall of Fame	64,218
<b>Total</b>	<b>\$93,792,543<sup>(b)</sup></b>
(a) Amounts are calculated based on data from the Minnesota Department of Revenue.	
(b) Includes state aid from the general fund in the amount of \$7,064,142.	

**How has the amount changed over the past years?**

The amount of taxes has decreased in recent years along with decreasing production rates and taxable tons.

Production year	Distribution year	Amount (in millions)		
		Levied on companies	State aid	Total
2008	2009	89.6	8.5	98.1
2009	2010	74.3	6.9	81.2
2010	2011	72.4	6.7	79.1
2011	2012	73.3	6.7	80.0
2012	2013	94.2	8.4	102.6
2013	2014	101.2	8.7	109.9
2014	2015	102.4	8.7	111.1
2015	2016	98.7	8.3	107.0
2016	2017	89.1	7.4	96.5
2017	2018	86.7	7.1	93.8

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