Production Tax Overview

February 2019

## Production Tax

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. Because it is in lieu of the property tax, the production tax is paid to local governments in the taconite relief area. The following are some 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.

Historical Distributions ($ millions)

|  |  |  |  |
| --- | --- | --- | --- |
| Distribution Year | Levied on Companies | State Aid | Total |
| 2012 | 73.3 | 6.7 | 80.0 |
| 2013 | 94.2 | 8.4 | 102.6 |
| 2014 | 101.2 | 8.7 | 109.9 |
| 2015 | 102.4 | 8.7 | 111.1 |
| 2016 | 98.7 | 8.3 | 107.0 |
| 2017 | 89.1 | 7.4 | 96.5 |
| 2018 | 86.7 | 7.1 | 93.8 |