DEPARTMENT OF REVENUE

MINERALS TAX
Iron Range school account and Ely school bonds

March 23, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 4042 (Lislegard) as proposed to be amended by H4042DE3

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Production Tax Distribution	$0	$0	$0	$0
School Bond Debt Service	$0	$0	$0	$0
Property Tax Interactions	$0	$0	($30)	($30)
Income Tax Interactions	$0	$0	($10)	($10)
School Bond Credit Interactions	$0	$0	($30)	($30)
General Fund Total	$0	$0	($70)	($70)

Effective beginning the day after final enactment.

EXPLANATION OF THE BILL
Sections 1 and 2:
Under current law, the iron range school consolidation and cooperatively operated school account receives ten cents per taxable ton of taconite for distribution years 2015-2023 and five cents per taxable ton starting in distribution year 2024 and thereafter.

The proposal would extend the ten cents per taxable ton of taconite distribution from 2023 to 2043. Five cents per taxable ton would start in distribution year 2044.

The proposal would also increase the distribution currently deposited into the taconite environmental fund from five cents per taxable ton to ten cents per taxable ton beginning in distribution year 2044.

Section 3:
The proposal would allow the Ely Public School District #696 to issue bonds up to $9,500,000. Issuing these bonds would not require a referendum. Taxes levied to pay for these bonds would not affect the levy limit of the school district and would not affect the school district's ability to issue other bonds.

REVENUE ANALYSIS DETAIL

Sections 1 and 2:
- The production tax changes would have no effect on the state general fund; however, it would impact some taconite distribution funds.

- Extending the duration of the ten cents to the iron range school consolidation account would increase distributions by $1,850,000 to the fund while reducing distributions to the taconite environmental account by $1,233,000 and the Douglas J. Johnson Economic account by $617,000 annually.
- Converting these distributions to fiscal years, the school consolidation account would increase $925,000 in FY2024 with the full effect of $1,850,000 occurring in FY2025. The taconite environmental account would decrease $617,000 in FY2024 and $1,233,000 in FY2025. The Douglas J. Johnson Economic account would decrease $309,000 in FY2024 and $617,000 in FY2025.
- Starting in 2044 some funding that would have gone to the Douglas J. Johnson Economic account would instead go to the taconite environmental fund.

Section 3:

- It is assumed the Ely School District would increase its levy by $594,000 beginning in taxes payable year 2023 to start making bond payments.
  - Higher levies will result in higher homeowner property tax refunds, increasing costs to the state general fund beginning FY 2024.
  - Higher levies will result in higher income tax deductions, decreasing revenues to the state general fund beginning in FY 2024.
  - Higher debt service levies will increase the school bond credit, increasing costs to the state general fund beginning FY 2024.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
https://www.revenue.state.mn.us/revenue-analyses

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