

# HOUSE RESEARCH

## Bill Summary

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**Subject:** Taconite School Districts; Levy Reduction through Taconite Production Tax Revenue

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### Overview

The taconite 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 taconite production tax 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 the taconite production tax.

Some of the school district share of taconite revenue is new revenue for the districts, but most of the taconite production tax that goes to school districts is used to reduce school district levies. Prior to 2009, a small portion of the production tax was offset against state aids. This state aid offset was eliminated beginning in fiscal year 2010 and instead these taconite proceeds were redirected to cities and townships within the school district.

This bill corrects a flaw in the 2009 language that annually redirected an added five percent of this revenue for tax relief to the cities and townships within the school district. As a result, each year under current law, the share of tax relief for the school districts shrinks and the share redirected to cities and townships increases.

For more information on the interrelationship between school districts and taconite revenue see the Minnesota Mining Tax Guide, published annually by the Department of Revenue (online at [http://www.revenue.state.mn.us/businesses/mineral/Documents/2012\\_mining\\_guide.pdf](http://www.revenue.state.mn.us/businesses/mineral/Documents/2012_mining_guide.pdf)).

**Section**

- 1**      **Taconite payments and other reductions.** Fixes the school share of the portion of the taconite production tax that is used for property tax relief under this section at 95 percent of the total property tax relief for that year, and directs the other five percentage points to the cities and townships located within that school district.