

HOUSE RESEARCH

Bill Summary

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Version: As amended by author's delete everything amendment (JM-A01)

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Subject: Taconite tax distributions

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Overview

This bill, as amended, makes the following changes in the distribution of the taconite production tax revenues:

- Eliminates the subtraction (1.8 percent of the school district's net tax capacity) from taconite school referendum aid, increasing the aid payments.
- Reduces the distribution to the taconite economic development fund (TEDF) by ten cents per ton. (This money is paid back to the mines as grants for improvements to the mine's operations.)
- Reduces the distribution to the property tax relief fund by 8.5 cents per ton. (This fund pays the taconite homestead credit.)
- Provides one-time distributions to the cities of Hibbing and Mountain Iron in 2013.
- Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to finance school capital projects for schools in the two taconite areas.

Section

- 1 Taconite school referendum aid.** Increases the distribution of taconite production tax proceeds to school districts with referendum levies by eliminating from the distribution formula a subtraction based on the size of each district's tax base. Two-thirds of the additional aid would come from the Taconite Environmental Fund and one-third from the Douglas J. Johnson Economic Fund.

Section

2 **Property tax relief.** Reduces the distribution to the fund that pays for the taconite homestead credit by 8.5 cents/ton (from 43.8 cents/ton to 35.3 cents/ton). This will increase the amount available to the residual distribution to the Taconite Environmental Fund and the Douglas J. Johnson Economic Fund, offsetting the increased distributions to schools under section 1.

Effective date: 2014 distribution

3 **Taconite economic development fund (TEDF).** Reduces the distribution to the TEDF by ten cents per ton. Under present law, the TEDF sets aside 32.4 cents per ton of the production tax revenues of each mine to provide grants for its capital improvements. The amount available for these grants to the mining companies would be reduced by 10 cents per ton.

Effective date: 2014 distribution

4 **2013 one-time distributions.** Provides for one-time distributions (amounts are blank in the amendment) to the cities of Hibbing (for a water supply improvement) and Mountain Iron (to move city utilities). These distributions would come out of the moneys that otherwise would be distributed to the property tax relief fund.

Effective date: 2013 distribution

5 **IRRR school bonds.** Authorizes the Iron Range Resources and Rehabilitation commissioner to issue bonds to make grants to school districts in the taconite tax relief areas for capital projects. These bonds would be paid by production tax distributions equal to ten cents per ton. This will equal the reduction in the distribution to the TEDF under section 3. The bonds would qualify for the credit enhancement program that applies to bonds directly issued by school districts.

Effective date: 2014 distribution