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Overview

Under current law, some distributions of the production tax on taconite are guaranteed at a percentage of the amount distributed in 1983 (some guaranteed amounts alternately reference 1999 production). The percentage of the distribution guaranteed to the taconite municipal aid account (TMAA) decreases based on current production; for each one million tons of production below 42 million, the percentage guarantee decreases by 2%. HF 1325 eliminates the required decrease and guarantees the amount allocated to this account at 100% of the 1983 distribution. The increase in the guarantee would reduce the amounts distributed to the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund.

The amount distributed to the TMAA in 1983 was \$6.702 million. The amount distributed for pay 2016 was \$6.475 million, and is projected to be lower for pay 2017. The percentage guarantee is also directly tied to the percentage of the grandfathered amount that some municipalities receive under the taconite municipal aid formula; under this bill, those municipalities would therefore receive 100% of their grandfathered aid amount.

H.F. 1325 also annually increases the amount of the distribution allocated to the TMAA according to the inflation adjustment made each year to the production tax rate.

Section

- 1** **Guaranteed distribution.** Guarantees the distribution of the production tax allocated to the municipal aid account at 100% of 1983 production.

Section

2 **Cities; towns.** Indexes the amount of the distribution to the taconite municipal aid account to inflation.