

Subject Taconite production tax and nonferrous mining net proceeds tax

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Overview

Makes a number of changes related to the taconite production tax and the net proceeds tax on nonferrous (non-iron bearing) materials. The bill would expand the taconite assistance area to include certain nearby areas where nonferrous mining occurs. The bill would also convert the net proceeds tax to a gross proceeds tax and change how this tax is distributed. Changes related to the production tax in the bill include modifications of the distribution of the tax and a onetime transfer of funds between two production tax distribution accounts.

Summary

Section	Description
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| 1 | Property subject to taconite production tax or gross proceeds tax.
Conforming change related to section 4. |
| 2 | Taconite assistance area.
Expands the taconite assistance area to include a school district that contains a municipality which is (1) located in a county which is already partially included in the taconite assistance area, and (2) where the active mining of nonferrous materials is occurring. Areas included in this expansion of the taconite assistance area would be eligible for production tax distributions, and any gross proceeds tax generated in the area would be distributed within the taconite assistance area, rather than going to the general fund. |
| 3 | Taconite, other ores, metals, or minerals; production materials.
Conforming change related to section 4. |
| 4 | Gross proceeds tax on mining.
Converts the net proceeds tax on nonferrous mining to a gross proceeds tax. This conversion eliminates the deductions under present law for the expenses of converting raw materials to marketable ores. The tax rate is reduced from two percent to 0.4 percent. This section also establishes a \$2,000,000 minimum payment |

Section Description

for mining operations which have received all required permits to mine nonferrous materials but have not begun mining.

5 Within taconite assistance area.

Changes the distribution of the gross proceeds tax. If a nonferrous mine is located outside of the taconite assistance area, gross proceeds tax distributions are deposited in the general fund. For mines located in the taconite assistance area, distributions are made within the taconite assistance area. This section would change the distributions within the taconite assistance area as follows:

	Current Law	H2012DE2
City/town where mining or processing occur	5%	5%* *If the mining or concentrating occur in the Mesabi East School District, then this 5% is distributed to Aurora, Babbitt, Ely, Hoyt Lakes, Biwabik, and Embarrass Township.
Taconite municipal aid account	10%	10%
School district where mining or processing occur	10%	10%
Group of Iron Range school districts	20%	20%
County where mining or processing occur	20%	10%
St. Louis County (property tax relief account)	20%	5%
Iron Range Resources and Rehabilitation	5%	20%
Douglas J. Johnson Economic Protection Trust Fund	3%	3%
Taconite Environmental Protection Fund	7%	7%
Commissioner of IRR for capital improvements to Giants Ridge Recreation Area	NA	10%

This section also directs ten percent of the gross proceeds tax to Aurora, Babbitt, Ely, Hoyt Lakes, Biwabik, and Embarrass Township, for the first five years that

Section	Description
	distributions of the tax are made. The remaining 90 percent would be distributed as outlined in the table above.
6	Distribution date. Conforming change related to section 4.
7	Counties. Keeps the production tax distribution to counties at 21.05 cents per taxable ton. Under current law, this distribution would increase to 26.06 cents per taxable ton beginning in 2024.
8	Iron Range school consolidation and cooperatively operated school account. Keeps the production tax distribution to the school consolidation account at ten cents per taxable ton. Under current law, this distribution would decrease to five cents per taxable ton beginning in 2024.
9	Temporary loan authority. Conforming change related to section 4.
10	Transfer 2023 distribution only. Provides a onetime transfer of any excess from the property tax relief account to the Iron Range resources and rehabilitation account, up to \$6,000,000.



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