

**MINERAL TAXES  
Mineral Provisions**

April 17, 2024

Department of Revenue

Analysis of S.F. 5435 (Hauschild), as proposed to be amended by SCS5435A-1

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
Iron Range Schools and Community Development Account Name Change	\$0	\$0	\$0	\$0
Taconite Homestead Credit Increase				
Property Tax Refund Interactions	\$0	\$0	\$850	\$850
Income Tax Interactions	\$0	\$0	\$40	\$40
IRFD Tax Statement Changes	\$0	\$0	\$0	\$0
Clarifying Gross Proceeds Tax Distribution	\$0	\$0	\$0	\$0
Expand County Scholarship Program	\$0	\$0	\$0	\$0
Increase Distribution to RAMS	\$0	\$0	\$0	\$0
Increase Transfer to Schools and Community Development Account	\$0	\$0	\$0	\$0
Increase Taconite Municipal Aid to Breitung Twp	\$0	\$0	\$0	\$0
DJJ Use of Funds for School Bonds	\$0	\$0	\$0	\$0
IRRR Bonds Authorized 2024	\$0	\$0	\$0	\$0
IRRR Bonds Authorized 2025	\$0	\$0	\$0	\$0
Transfer to the City of Chisholm	\$0	\$0	\$0	\$0
<b>General Fund Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$890</b>	<b>\$890</b>

**\*Non-General Fund Impacts**

**Taconite Property Tax Relief Account**

Taconite Homestead Credit Increase	\$0	(\$3,520)	(\$7,050)	(\$7,050)
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**Range Association of Municipalities and Schools**

Increase Distribution to RAMS	\$0	\$98	\$65	\$66
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**Taconite Environmental Protection Fund**

Increase Distribution to RAMS	\$0	(\$65)	(\$43)	(\$44)
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**Douglas J. Johnson Economic Protection Fund**

Increase Distribution to RAMS	\$0	(\$33)	(\$22)	(\$22)
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Increase Transfer to School and Development Account	\$0	(\$2,750)	(\$3,000)	(\$3,000)
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**Taconite Municipal Aid Account**

Increase Taconite Municipal Aid to Breitung Twp	\$0	\$0	\$0	\$0
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**Iron Range Schools and Community Development Account**

Increase Transfer to School and Development Account	\$0	\$2,750	\$3,000	\$3,000
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IRRR Bonds Authorized 2024	\$0	\$0	(\$3,900)	(\$3,900)
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IRRR Bonds Authorized 2025	\$0	\$0	\$0	(\$2,400)
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**Taconite Economic Development Fund**

Transfer to the City of Chisholm	\$0	(\$300)	\$0	\$0
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Various Effective Dates.

**REVENUE ANALYSIS DETAIL**

**Iron Range Schools and Community Development Name Change (Sections 1, 5-6, 8, 10)**

*The effective date is the day following final enactment.*

The proposal would change the name of the Iron Range consolidation and cooperatively operated school account to the Iron Range schools and community development account.

- The proposal would have no effect on any fund balances.

**Maximum Increased for the Taconite Homestead Credit (Section 2)**

*The effective date is beginning with taxes payable in 2025.*

Under current law, the taconite homestead credit reduces the property tax paid by owners of certain properties located on the Mesabi and Vermillion ranges located within the Taconite Tax Relief Area. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

If an owner-occupied home or farm is located in a city or town that contained at least 40% of its valuation as iron ore on May 1, 1941, or which had a taconite mine, processing plant, or electric generating facility on January 1, 1977, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66% of the tax, up to a maximum credit of \$315.10.

If the property is not located in such a city or town but is located in a school district containing such a city or town, the taconite credit is 57% of the tax, up to a maximum credit of \$289.80.

The taconite homestead credit is funded by the taconite property tax relief account, which is funded by taconite production taxes. If this fund is not sufficient to make these payments, the deficit is made up from the Douglas J. Johnson Economic Protection Fund.

The proposal would increase the maximum credit amount for both the 66% and 57% taconite homestead credits to \$515.00.

The proposal would not impact the supplemental taconite homestead credit.

- Under current law, approximately 38,300 parcels received the taconite homestead credit in taxes payable 2023. Of those 38,300 parcels, approximately 35,100, or 92%, received the maximum credit amount of either \$315.10 or \$289.80.
- Under the proposal, all 35,100 parcels that are at the maximum credit under current law would receive a larger taconite homestead credit. Most of these parcels are expected to qualify for the proposed maximum credit of \$515.00.
- The total taconite homestead credit amount would increase by \$7.05 million beginning in taxes payable 2025.
- The taxes payable year amounts have been converted to fiscal years for the purpose of this estimate. Credit reimbursement payments for the taconite homestead credit are made over two fiscal years, with 50% paid in each year. The increased credit would cost \$3.52 million in fiscal year 2025 and \$7.05 million in fiscal year 2026 and beyond.
- The increased credit would be a cost to the taconite property tax relief fund. If the fund is unable to cover to cover the full cost of the credit, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.
- Lower property taxes for homeowners receiving a larger credit would reduce property tax refunds, decreasing refunds paid by the state by \$850,000 beginning in fiscal year 2026.
- Lower property taxes for homeowners receiving a larger credit would reduce deductions on individual income tax returns, increasing state tax collections by \$40,000 beginning in fiscal year 2026.

### **Contents of Tax Statements Expanded for Iron Range Fiscal Disparities (Sections 3-4)**

*The effective date is beginning with notices for property taxes payable in 2025.*

Under current law, there are requirements for what is included in the notice of proposed property taxes and property tax statement.

The proposal would add new content to the notice of proposed property taxes and property tax statement for properties subject to Iron Range fiscal disparities taxes. In addition to the current

law requirements, the notice and statement would need to include a line showing the fiscal disparities adjustment. The fiscal disparities adjustment would equal the total gross taxes payable minus the sum of the tax amounts for the individual taxing jurisdictions.

- The proposal would have no impact on the state general fund.

### **Clarifying Distribution of Gross Proceeds Tax within the Taconite Assistance Area (Section 7)**

*The effective date is beginning with distributions in 2025.*

The proposal clarifies that specific distributions of gross proceeds tax within the taconite assistance area only apply for mining operations occurring within the taconite assistance area.

- The proposal would have no impact on the state general fund.

### **Expanding the County Scholarship Program to Trade Programs (Section 9)**

*The effective date is beginning with distributions in 2025.*

Under current law, a county may establish a scholarship program funded through unencumbered mineral taxes. Scholarships need to be used at two-year Minnesota State Colleges and Universities within the county.

The proposal would expand where scholarships can be used to include accredited trade programs.

- The proposal would have no impact on the state general fund.

### **Increase Distribution to Range Association of Municipalities and Schools (Section 11)**

*The effective date is beginning with the 2024 distribution.*

Under current law, 0.3 cents per ton of taconite production is allocated to the range association of municipalities and schools.

The proposal would increase this amount to 0.5 cents starting in 2024.

- The changes to the local distribution of taconite production taxes would have no impact on the state general fund.
- The total distribution to the range association of municipalities and schools account would increase by \$66,000 beginning in distribution year 2024.
- The distribution year amounts have been converted to fiscal years for the purpose of this estimate. Distributions are made over two fiscal years, with 50% paid in each year. The full 2024 distribution amount would be made in fiscal year 2025 as well as the first half of the 2025 distribution amount. The increased distribution would be \$98,000 in fiscal year 2025, \$65,000 in fiscal year 2026, and \$66,000 in fiscal year 2027 and beyond.
- The increased distribution to the range association of municipalities and schools account would reduce distributions to the Taconite Environmental Protection Fund and Douglas J Johnson Economic Protection Fund.

### **Increase Transfer to Schools and Community Redevelopment Account (Section 12)**

*The effective date is beginning with distributions in 2024.*

Under current law, the Douglas J. Johnson Economic Protection Trust Fund annually transfers \$3.5 million to the Iron Range schools and community development account.

The proposal would increase this amount to \$6.25 million for distributions in 2024, \$6.5 million for distributions in 2025-2029, \$5.5 million for distributions in 2030-2034, and \$5.0 million for distributions in 2035-2036. The transfer amount would return to \$3.5 million for distribution year 2037-2041.

- Transfers to the Iron Range schools and community redevelopment account would increase \$2.75 million in fiscal year 2025, \$3.0 million for fiscal years 2025-2029, \$2.0 million in fiscal years 2030-2034, and \$1.5 million in fiscal years 2035-2036.
- These increases would be offset by equal amount reductions in the Douglas J. Johnson Economic Protection Trust Fund.

### **Increase Taconite Municipal Aid to Breitung Township (Section 13)**

*The effective date is beginning with the 2024 distribution.*

Under current law, Breitung Township receives \$15,000 in Taconite Municipal Aid.

The proposal would increase this amount to \$25,000 starting in 2024.

- Starting in fiscal year 2025, Breitung Township would receive additional taconite municipal aid, shifting aid away from other municipalities receiving aid.
- The proposal would not impact the state general fund.

### **Use of Funds from the Douglas J. Johnson Economic Protection Trust Fund (Section 14)**

*The effective date is the day following final enactment.*

The proposal would expand the use of funds from Douglas J. Johnson economic trust fund.

Revenue from the DJJ would be allowed to fund reserve accounts established to secure payments for bonds repaid from the Iron Range schools and community development account.

- The proposal would have no impact on the state general fund.

### **IRRR Bonds Authorized for 2024 and 2025 (Section 15-16)**

*The effective date is the day following final enactment.*

The proposal would have Iron Range Resources and Rehabilitation issue revenue bonds of up to \$49 million in 2024 and \$31 million in 2025 to various government agencies and non-profits.

The bonds would be repaid through appropriations from the Iron Range schools and community development account. If the Iron Range schools and community development account is unable to cover to cover the full cost of the bond repayments, the deficit would automatically come from the Douglas J. Johnson Economic Protection Fund.

- Starting in fiscal year 2025, the Iron Range schools and community development account would transfer an estimated \$3.9 million to cover the cost of the bonds. This number would increase to \$6.3 million in fiscal year 2026 and thereafter.
- The proposal would not impact on the state general fund.

**Transfer to City of Chisholm (Section 17)**

*The effective date is the day following final enactment.*

The proposal would transfer \$300,000 from the taconite economic development fund to the city of Chisholm for a bridge. The money would be transferred in August 2024.

- The taconite economic development fund would decrease by \$300,000 in fiscal year 2025.
- The proposal would not impact on the state general fund.

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

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