MINNESOTA Department of Revenue

TACONITE PRODUCTION TAX
Aid Guarantee for Taconite Cities and Towns Distribution

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

March 16, 2001

Department of Revenue
Analysis of H.F. 1611 (Rukavina)/ S.F. 1784 (Tomassoni)

	Revenue Gain or (Loss)				
	F.Y. 2001	F.Y. 2002	F.Y. 2003 (000's)	F.Y. 2004	FY2005
General Fund	$0	$0	$0	$0	$0

Effective for distributions in calendar year 2001 and thereafter.

EXPLANATION OF THE BILL

Current Law: As part of the distribution of the taconite production tax, the taconite cities and towns fund allocates 4.5 cents per ton to cities and towns in which taconite mining and concentrating occurs. Cities and towns are guaranteed to receive at least the amount of aid as in the 1983 production year, provided that the production for the year prior to the distribution year is no less than 42 million taxable tons. If the production in the year prior to distribution is less than 42 million taxable tons, the guaranteed amount distributed is reduced proportionately at the rate of two percent for each one million tons, or part of one million tons, by which the production is less than 42 million tons. The aid guarantee is funded equally from the current year taconite tax distributions to the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Fund.

Proposed Law: The aid guarantee for the taconite cities and towns fund would be changed to at least the amount of aid in the 1999 production year if production is no less than 42 million tons in the production year prior to the aid distribution. If taconite production in the prior year is less than 42 million tons, the aid is reduced proportionately at the rate of two percent for each one million tons, or part of one million tons, by which the production is less than 42 million tons.

For the distribution paid in February 2001 only, the Commissioner of the Iron Range Resources and Rehabilitation Board shall pay two-thirds of any additional amount required by the aid guarantee from the Taconite Environmental protection Fund and one-third from the Northeast Minnesota Economic Protection Trust Fund, as directed by the Commissioner of Revenue. For distributions in subsequent years, funding would come from the distributions to these two funds, as under current law.

REVENUE ANALYSIS DETAIL

- According to the *Minnesota Mining Tax Guide* published by the Minerals Tax Office of the Department of Revenue in October 2000, the total taconite production in 1999 was 41,292,907 tons. The balance available on June 20, 2000, in the Northeast Minnesota Economic Protection Fund was $78,602,904. The balance available on the same date from the Environmental Protection Fund was $4,632,476.
- The taconite production tax is a local tax. Changes in the distributions of the tax, or allocations of funds supported by the tax, have no impact on the state general fund or any other state fund.

Number of Taxpayers Affected: All taxpayers in taconite cities and townships are affected by the new aid guarantee.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

hf1611-1 / JB