

MINNESOTA • REVENUE

AGGREGATE MATERIAL TAX Operator Definition Exceptions

March 22, 2004

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

Department of Revenue
Analysis of H.F. 2699 (Kuisle) / S.F. 2576 (Bakk)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for aggregate sold, imported, transported, or used from stockpile after June 30, 2004.

EXPLANATION OF THE BILL

Current Law: The aggregate material tax is a production tax on the removal of aggregate material weighed and measured after extraction from a pit, quarry or deposit. Aggregate material is nonmetallic natural mineral aggregate including sand, silica sand, gravel, crushed rock, granite, and limestone. Aggregate material also includes borrow that is transported on a public road, street, or highway.

Any county may impose this tax if the county board has voted after a public hearing to impose the tax and has notified the Commissioner of Revenue of the imposition of the tax. The tax imposed on importers and operators is up to 10¢ per cubic yard or 7¢ per short ton. An operator is any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

The aggregate material tax was collected by 23 counties and 4 townships in 2002, totaling \$2,981,133.

Proposed Law: The proposal creates an exception to the definition of operator subject to the aggregate material production tax. Under the proposal, the term operator would not include persons engaged in a transaction in which:

- 1) the aggregate is not sold or purchased for money;
- 2) the aggregate is given or received in a barter exchange for its removal and is not subsequently sold to another person; and
- 3) the person is allowed to remove or produce aggregate without a mining permit.

REVENUE ANALYSIS DETAIL

- The aggregate material tax is a local revenue source, with a revenue disposition of 60% to the county road and bridge fund, 30% to cities or towns for roads and bridges, and 10% for the restoration of abandoned pits. The definition change of operator would have no impact on the state general fund or any other state fund.

Number of Taxpayers: Certain operators paying the aggregate material tax would be affected.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy