MINNESOTA · REVENUE

MINERALS TAXES

Occupation Tax, Net Proceeds Tax, and Taconite Production Tax Modifications

March 16, 2011

| | Yes | No |
|------------------------------------|-----|----|
| DOR Administrative Cost/Savings | | X |

Fund Impact

Department of Revenue

Analysis of S.F. 0681 (Tomassoni) / H.F. 0974 (Melin) as introduced

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|--------------|--------|-------------|--------------|--------|--|--|
| | FY2012 | FY2013 | FY2014 | FY2015 | | |
| | | (000's) | | | | |
| General Fund | \$0 | \$0 | (negligible) | (\$7) | | |

Effective August 1, 2011.

EXPLANATION OF THE BILL

The bill would lower the occupation tax rate from 2.45% to 1.10%, increase the net proceeds tax rate from 2.00% to 3.35%, and modify the distribution of proceeds from the taconite production tax and net proceeds tax.

REVENUE ANALYSIS DETAIL

- Nonferrous mineral production is currently projected to be zero through calendar year 2012. Production is assumed to begin in 2013 and increase annually in the short term.
- The bill would significantly reduce occupation tax revenues in Minnesota if/when nonferrous mineral production increases. The occupation tax rate reduction is estimated to reduce tax revenues by less than \$5,000 for FY 2014 and \$14,000 for FY 2015.
- Occupation tax revenues are deposited into the state general fund, with 50% dedicated to the general fund and 50% to schools and the University of Minnesota. The state general fund impact would be less than \$5,000 in FY 2014 and \$7,000 in FY 2015.
- There would be no impact to the state general fund from the net proceeds tax rate change as any revenues from production inside the taconite assistance area would be distributed to local jurisdictions and taconite funds.

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

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