

# MINNESOTA • REVENUE

Preliminary

March 14, 2014

## MINERALS TAX

### Taconite Production Tax Modifications

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 2629 (Metsa) / S.F. 2247 (Tomassoni), as introduced, sections 13-16

*Note: the analysis is based on the provisions relating to the taconite production tax modifications. Education aid and revenue provisions are not addressed. See separate analysis of minerals royalty excise tax.*

#### Fund Impact

	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
		(000's)		
<b>Iron Range School Trust Account</b>				
Production Tax Rate Growth Shift	\$0	\$740	\$1,720	\$1,960
Transfer from Douglas J Johnson Fund	\$0	\$1,250	\$2,500	\$2,500
Expired School Bond Payments (first year FY18)	\$0	\$0	\$0	\$0
Transfer of Net Excise Tax from General Fund	\$0	<i>unknown</i>	<i>unknown</i>	<i>unknown</i>
<b>Taconite Environmental Protection Fund</b>				
Production Tax Rate Growth Shift (2/3)	\$0	(\$490)	(\$1,140)	(\$1,310)
Expired School Bond Payments (2/3)	\$0	\$0	\$0	\$0
<b>Douglas J Johnson Economic Protection Trust Fund</b>				
Production Tax Rate Growth Shift (1/3)	\$0	(\$250)	(\$570)	(\$650)
Expired School Bond Payments (1/3)	\$0	\$0	\$0	\$0
Transfer to School Trust Account	\$0	(\$1,250)	(\$2,500)	(\$2,500)

Various effective dates

#### EXPLANATION OF THE BILL

The bill creates a new school trust account to help Iron Range school districts repay the debt service on newly issued bonds. Revenues into the account would be derived from taconite production taxes and a new minerals royalty excise tax.

## **EXPLANATION OF THE BILL (continued)**

The Iron Range school construction and improvement trust account would receive taconite production tax revenues from the following:

1. increases in taconite production tax based on the percentage change in the implicit price deflator;
2. an annual transfer of \$2.5 million from the Douglas J Johnson Economic Protection Trust Fund;
3. amounts currently appropriated for payments to schools with expiring bonds.

In addition to taconite production tax revenues, the net revenues from the royalty excise tax less any state income tax credits would be deposited into school trust account.

Distributions from the school trust account would be administered by the Iron Range Resources and Rehabilitation Board (IRRRB). Three annual distributions are specified: \$600,000 to Mesabi East ISD 2711, \$1.5 million to St. Louis County ISD 2142, and \$5.0 million to Virginia ISD 706. The IRRRB would have the authority to adjust these payments and enter into additional agreements with other eligible school districts.

## **REVENUE ANALYSIS DETAIL**

- Under the proposal, the new Iron Range school construction and improvement trust account would receive excess taconite production tax revenues that under current law are credited to the Taconite Environmental Protection Fund and the Douglas J Johnson Economic Protection Trust Fund.
- Based on the projected percentage change in the implicit price deflator, the school trust account would receive approximately 3.7¢ per ton of taconite production tax revenues for the 2015 distribution year and 4.9¢ per ton for the 2016 distribution year and thereafter. Based on forecasted taconite production, the annual payment amounts would be approximately \$1.47 million for distribution year 2015 and \$1.96 million for distribution years 2016 and thereafter.
- The annual \$2.5 million transfer from the Douglas J Johnson Economic Protection Trust Fund to the school trust account would begin with distribution year 2015.
- Six school districts receiving taconite production tax payments have bonds that will be expiring over the next four years. Under the proposal, these payments would be directed to the school trust account beginning the year after the final payment for school bonds is made. The estimated payments to the school trust account would be approximately \$65,000 for distribution year 2018, \$1.2 million for distribution year 2019, and \$1.8 million for distribution years 2020 and thereafter.
- The net amount of royalty excise tax transferred from the state general fund is unknown.
- The distribution year impacts were converted to fiscal year amounts.

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
[www.revenue.state.mn.us/research\\_stats/pages/  
revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)