

March 11, 2019

**MINERALS TAX  
Occupation tax credit authorization**

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue  
Analysis of H.F. 0844 (Lislegard) / S.F. 1114 (Eichorn) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
General Fund	(\$5,800)	(\$5,800)	(\$5,800)	(\$5,800)

Effective beginning with taxable year 2019.

**EXPLANATION OF THE BILL**

Under current law, mining companies are exempt from the corporate franchise tax and instead pay the occupation tax, which is equal to 2.45 percent of taxable income from mining activities. Occupation tax revenues are deposited into the state general fund and appropriated for various purposes, including distributions to support elementary and secondary schools and the University of Minnesota.

The proposal would create a new credit to offset the amount of occupation tax paid by mining companies. The credit would be equal to the least of the following amounts:

1. the amount of taconite production tax paid during the taxable year
2. 15 cents per tons of taconite produced in the taxable year
3. the amount of occupation tax due in the taxable year after any carryover credit.

If the amount of credit exceeded the occupation tax due for the taxable year, the excess credit would be carried over for up to 15 taxable years.

**REVENUE ANALYSIS DETAIL**

- The estimates are based on the February 2019 forecast.
- Based on projected mining production and occupation tax revenues, the new credit is estimated to reduce occupation tax revenue collections by \$5.8 million beginning in FY 2020.
- The total decrease in occupation tax revenues would impact the following apportionments: \$2.90 million less to the state general fund attributable to the occupation tax (50%), \$2.32 million less to elementary and secondary schools attributable to the occupation tax (40%), and \$0.58 million less to the University of Minnesota attributable to occupation tax (10%).

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)

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