

2023 Cost of Pellets Produced

Read instructions on back before completing this schedule.

Name of Company	Minnesota Tax ID	FEIN
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Round amounts to the nearest whole dollar

Figure Your Cost of Operations	1 Inventory at beginning of year (<i>as of Jan. 1, 2023</i>)	1	_____
	2 Purchases	2	_____
	3 Labor	3	_____
	4 Additional IRC section 263A costs (<i>attach schedule</i>)	4	_____
	5 Other costs (<i>attach schedule</i>)	5	_____
	6 Total (<i>add lines 1 through 5</i>)	6	_____
	7 Inventory at end of year (<i>as of Dec. 31, 2023</i>)	7	_____
	8 Cost of pellets produced (<i>subtract line 7 from line 6</i>)	8	_____
	Enter on M30-I, line 2.		
	9 a Check all methods used for valuation of closing inventory (<i>see instructions</i>):		
<input type="checkbox"/> Cost (as described in IRC section 1.471-3)			
<input type="checkbox"/> Lower of cost or market value (per IRC section 1.471-4)			
<input type="checkbox"/> Other (<i>specify method used and attach explanation</i>)			
b <input type="checkbox"/> Check if there was a writedown of subnormal goods (IRC section 1.471-2[c])			
c <input type="checkbox"/> Check if LIFO was adopted this tax year (<i>if checked, attach federal Form 970</i>)			
d If LIFO was used for this tax year, enter percentage or amounts of closing inventory computed under LIFO	9d	_____	
e Was there any change in determining quantities, costs or valuations between opening and closing inventory? (<i>If YES, attach explanation</i>)	9e	<input type="checkbox"/> Yes <input type="checkbox"/> No	

2023 Schedule A Instructions

Complete Schedule A to determine the cost of your production. You are allowed to include only those expenses necessary to convert raw iron ore or taconite concentrates to marketable quality (M.S. 298.01, subd. 4[b]).

These expenses include costs associated with beneficiation and refinement, but not costs incurred after marketable iron ore or taconite pellets are produced. Examples of unallowable costs include transportation, stockpile loading and unloading, marketing, and marine insurance. Transportation from the point of extraction to the plant is allowed.

Generally, follow federal guidelines to complete this section, but keep in mind the limits of allowable expenses as shown in the preceding paragraph. Allowable expenses for occupation tax are more restrictive than for federal returns. This calculation is similar to the federal cost of goods sold.

Line 1

Inventory at Beginning of Year

Enter the cost of raw materials, work in process, and materials and supplies used in production. If this amount differs from the closing inventory of the prior year, attach to your return a schedule explaining the difference. **Note:** Finished pellets should not be included in the beginning inventory total. The Minnesota Occupation tax calculation differs from the federal calculation due to the fact that pellets are taxable in the year completed/finished, not when sold.

Line 2

Purchases

Include the cost of all supplies purchased for mining and pellet production.

Line 3

Labor

Include all direct and indirect labor used in production.

Line 4

Additional IRC Section 263A Costs

Under the uniform capitalization rules, (IRC section 263A), you must capitalize or include in inventory certain costs incurred in production. If you are subject to section 263A, you are required to capitalize not only direct costs but also an allocated portion of most indirect costs related to the current year's production.

Costs of mixed-service departments, or functions to production activity, are allocated through the use of a reasonable method that approximates the benefits provided by that activity.

Some indirect costs included in inventory are administrative expenses, depreciation, taxes, insurance, rework labor, contributions to pensions, certain profit-sharing, annuity or deferred compensation plans. Refer to federal rules for further information.

The costs requiring capitalization under section 263A are not deductible until the year's production process is complete for the finished pellets.

Materials and supplies such as hardware and chemicals used in mining and beneficiation are charged to the cost of pellets produced. Those not used are treated as deferred charges, deductible as an expense when used.

Attach a schedule itemizing your IRC section 263A costs included on line 4.

Line 5

Other Costs

Other costs chargeable to the cost of pellets produced include:

- **Freight-In.** Include freight-in, express-in and cartage on raw materials and supplies used in production.
- **Overhead Expenses.** Overhead expenses include rent, heat, light, power, insurance, depreciation, taxes, maintenance, labor and supervision.
- **Depreciation Incurred to Produce Pellets.** If you include an amount on line 5 for depreciation incurred to produce pellets, also include this amount on Form M30-I, line 16b.

Attach a schedule detailing the amounts included on line 5.

Line 7

Inventory at End of Year

Enter the value of your closing inventory, including the allowable parts of the cost of raw materials and supplies, direct labor and overhead expenses. **Note:** Finished Pellets should not be included in the ending inventory total. The Minnesota Occupation tax calculation differs from the federal calculation due to the fact that pellets are taxable in the year completed/finished, not when sold.

2023 Schedule A Instructions (continued)

Lines 9a – 9e

Inventory Valuation Methods

Inventories can be valued at any of the following:

- cost
- cost or market value, whichever is lower
- any method approved by federal regulations and requirements

Line 9a. On line 9a, check the method(s) used for valuation of inventories. Under “Lower of cost or market value,” the term “market” means the current bid price prevailing on the inventory valuation date for the particular merchandise in the volume usually purchased by the taxpayer. Market applies to the basic elements of cost including raw materials, labor and burden. If IRC section 263A applies, the basic elements of cost must reflect the current bid price of all direct costs and all indirect costs properly allocable to goods on hand at the inventory date.

Line 9b. Inventory may be valued below cost when the merchandise is unsalable at normal prices, or unusable in the normal way because the goods are subnormal due to damage, imperfections, etc., within the meaning of IRC section 1.471-2(c). The goods may be valued at the current selling price, minus direct cost of disposition, but not less than scrap value, if such a price can be determined.

Line 9c. If you changed or extended your inventory method to LIFO and wrote up the opening inventory to cost in the year of election, report the effect of the write-up as other adjustments (Form M30-I, line 7) proportionately over a three-year period beginning with the year of the LIFO election.