2026 MINERAL TAXES
LEGISLATIVE BULLETIN

DEPARTMENT OF REVENUE

Appeals, Legal Services, and Disclosure Division
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St. Paul, MN 55146-2220

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Unless otherwise noted, the provisions discussed in this bulletin can be found in 2026 Minn. Laws, Ch. 128, Art. 5.

Taconite Production Tax and Mesabi Metallics. The tax on the mining of taconite and iron sulphides (Taconite) is imposed under Minn. Stat. § 298.24, subd. 1 (Production Tax). The Production Tax is paid by producers of Taconite (Producers). Minn. Stat. §§ 298.001, subd. 3a, and 298.27. The amendments in Article 5 account for the future production of taconite pellets by Mesabi Metallics. Mesabi Metallics states that it expects to produce direct reduction grade iron ore pellets when its pellet plant becomes operational. See Mesabi Metallics' website. At that point, Mesabi Metallics or its successors (Mesabi Metallics) will become a Producer of Taconite and will pay the Production Tax.

Mesabi Metallics-only distributions based on 2023 production. Certain recipients of the proceeds of the Production Tax will receive distributions from Mesabi Metallics' Production Tax proceeds (Proceeds) that are based on other Producers' 2023 taxable production tonnage (2023 Production). These recipients include:

- **Cities and towns fund.** Minn. Stat. § 298.28, subd. 2(a), was amended to require Mesabi Metallics to distribute one cent per taxable ton to the cities or towns in the counties in which the lands from which Taconite was mined or quarried were located or within which Taconite concentrate was produced. Section 3.

- **Cities and towns (mining effects) fund.** Minn. Stat. § 298.28, subd. 2(b)(1), was amended to require Mesabi Metallics to distribute one cent per taxable ton to the cities and townships (organized and unorganized) affected by mining because their boundaries are within three miles of a Taconite mine pit that (i) was actively mined by LTV Steel Mining Company in 1999; or (ii) has been actively mined in at least one of the prior three years. Minn. Stat. § 298.28, subd. 2(b)(2) was amended to require that the amounts allocated to unorganized townships be distributed to the county where the unorganized township is located and that the amounts must be used by the county for infrastructure improvement projects within the unorganized township. Section 3.

- **Taconite municipal aid account (TMAA).** Minn. Stat. § 298.28, subd. 3(a), was amended to require Mesabi Metallics to distribute two cents per taxable ton to the taconite municipal aid account. Section 4.

- **School building maintenance fund.** Minn. Stat. § 298.28, subd. 4(b), was amended to add clause (3) which requires Mesabi Metallics to distribute four cents per taxable ton to school districts that received a distribution under the building maintenance fund in distribution year 2024. Section 5.

- **School district fund (4.57 cents).** Minn. Stat. § 298.28, subd. 4(d), was amended to add clause (3) which requires Mesabi Metallics to distribute 4.57 cents per taxable ton to the following independent school districts (ISD):
  - A $100,000 payment to ISD 695, Chisholm;
  - A $100,000 payment to ISD 696, Ely; and
  - The remainder goes to the school districts eligible for a distribution under section 298.28, subd. 4(b)(1) (Taconite School Fund (3.43 cents)).

  Section 5. Minn. Stat. § 298.225, subd. 1, was amended to add paragraph (f) to require that these two $100,000 payments be guaranteed for the two years after the year in which Mesabi Metallics begins producing tonnage. Section 1. Minn. Stat. § 298.225, subd. 2 was amended to add paragraph (b) which requires that the Douglas J. Johnson (DJJ) economic protection trust fund provide the guarantee. The guarantee money is first taken from the initial current year distribution to the fund. If the money taken from the fund is insufficient to cover the guarantee, then the commissioner of the Iron Range resources and rehabilitation (IRRR) shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

Mesabi Metallics distributes $150,000 to two school districts. Minn. Stat. § 298.28, subd. 4(b), was amended to add new clause (2) which requires Mesabi Metallics to distribute $150,000 from its Production Tax Proceeds each to ISD 318, Grand Rapids, and ISD 696, Ely. Section 5. Minn. Stat. § 298.225, subd. 1(e), was amended to require that these two $150,000 payments be guaranteed for the two years after the year in which Mesabi Metallics begins producing tonnage. Section 1. Minn. Stat. § 298.225, subd. 2, was amended to add paragraph (b) which requires that the DJJ economic protection trust fund provide the guarantee. The guarantee money is first taken from the initial current year distribution to the fund. If the money taken from the fund is insufficient to cover the guarantee, then the commissioner of the IRRR shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

Mesabi Metallics-only distributions based on its production. Minn. Stat. § 298.28, subds. 4 and 7a, were amended to require Mesabi Metallics to make distributions to the following funds based on its own production tonnage:

- **School building maintenance fund.** Minn. Stat. § 298.28, subd. 4(b), was amended to add new clause (2) to require Mesabi Metallics to make distributions of eight cents per taxable ton to each of ISD 316, Greenway, and ISD 319, Nashwauk-Keewatin. Section 5.

- **Iron Range schools and community development account.** Minn. Stat. § 298.28, subd. 7a(a), was amended to add clause (3) to require Mesabi Metallics to make distributions of 20 cents per taxable ton to the IRRR to be used only for projects within ISD 316, Greenway. These distributions are authorized if they are approved by referendum within five years of the date Mesabi Metallics begins producing tonnage, and they are approved by the commissioner of IRRR after review by the IRRR Advisory Board. Section 6.

Funds to which Mesabi Metallics does not contribute. Minn. Stat. § 298.28 was amended to exclude Mesabi Metallics from the requirement to make distributions to the following funds that otherwise apply to the other Taconite Producers:

- **Range Association of Municipalities and Schools (RAMS)**. Subdivision 8 was amended to exclude Mesabi Metallics from the requirement to contribute to the distribution of .50 cents per taxable ton to RAMS. Section 7.

- **Taconite economic development fund (TEDF).** Subdivision 9a(a) was amended to exclude Mesabi Metallics from the requirement to contribute 25.1 cent per taxable ton to the TEDF. Mesabi Metallics' tonnage was also excluded from the determination of whether total industry production falls below the fund's 30-millon-ton threshold under section 298.28, subd. 9a(a), which triggers payment from the fund. Section 8.

Funds from which Mesabi Metallics will not receive payments. Minn. Stat. §§ 298.227 and 298.28 were amended to exclude Mesabi Metallics from receiving the following payments:

- **TEDF payments**. Minn. Stat. § 298.227 was amended to add paragraph (b) which excludes Mesabi Metallics from the Producers who receive payments from TEDF. Section 2.

- **Chips and fines payment.** Minn. Stat. § 298.28, sub. 9a(b) was amended to exclude Mesabi Metallics from the Producers who receive a credit for selling chips and fines. Section 8.

Insufficient proceeds. Minn. Stat. § 298.28 was amended to add subdivision 10a that provides that, if Mesabi Metallics' Proceeds are insufficient to fund the distributions it is required to make under section 298.28, then the following distributions by Mesabi Metallics are proportionally reduced:

- Distributions based on 2023 Production;
    - Distributions of $150,000 each to ISD 318, Grand Rapids, and ISD 696, Ely; and
    - Distributions of $100,000 each to ISD 695, Chisholm, and ISD 696, Ely.

Section 10. Minn. Stat. § 298.225, subd. 1, was amended to add paragraphs (e) and (f), which guarantee the $150,000 distributions and the $100,000 distributions for the two years after the year in which Mesabi Metallics begins producing tonnage. Minn. Stat. § 298.225, subd. 2(b) was amended to require that the DJJ economic protection trust fund provide the guarantee. The guarantee money is first taken from the initial current year distribution to the fund. If the money taken from the fund is insufficient to cover the guarantee, then the commissioner of the IRRR shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

Changes in the distributions made by all Taconite Producers. The following amendments affect the distributions made by all Taconite Producers:

- **Taconite municipal aid account (TMAA).** Minn. Stat. § 298.282, subd. 1(a), was amended to add fixed annual payments to the following municipalities:

    - The cities of Orr and Winton will each receive $25,000; and
    - The cities of Cook and Two Harbors will each receive $75,000.

  Section 12. Minn. Stat. § 298.225, subd. 1, was amended to add paragraph (h) to guarantee these fixed payments for two years after the year in which Mesabi Metallics begins producing tonnage. Section 1. Subdivision 2 was amended to add paragraph (b) to require that the DJJ economic protection fund provide this guarantee. The guaranteed money is first taken from the initial current year distribution to the fund. If the money taken from this fund is insufficient to fund the guarantee, then the commissioner of the IRRR shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

- **Township Fund**. Minn. Stat. § 298.28, subd. 3(d), was amended to change the maximum amount that townships can receive under this fund from $50,000 to $70,000. Section 4.

- **Taconite railroad distribution/remainder.** Minn. Stat. § 298.28, subd. 11(d), was amended to provide that, with respect to the taconite railroad distribution to schools, the percent of the distribution that each school district receives under section 294.26 (1978), in calendar year 1977, was changed from 62% to 75%. Section 11. Minn. Stat. § 298.225, subd. 1 was amended to add paragraph (g) to guarantee the 75% distribution for two years after the year in which Mesabi Metallics begins producing tonnage. Section 1. Subdivision 2 was amended to add paragraph (b) to require that the DJJ economic protection fund provide this guarantee. The guarantee money is first taken from the initial current year distribution to the fund. If the money taken from this fund is insufficient to fund the guarantee, then the commissioner of the IRRR shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

- **Cities and towns (mining effects) fund.** Minn. Stat. § 298.28, subd. 2(b)(1) was amended to allow unorganized townships to also be recipients of the fund. Section 3.

Guarantees for Mesabi Metallics-only distributions with respect to 2023 production. Minn. Stat. § 298.225, subd. 1, was amended to add paragraphs (d) and (e) to guarantee the following distributions with respect to the 2023 Production:

- **Taconite school fund (3.43 cents).** The distribution under section 298.28, subd. 4(b)(1), to the taconite school fund (3.43 cents) (see Section 5); and

- **School building maintenance fund (4 cents).** The distribution made under section 298.28, subd. 4(b)(2) to the school building maintenance fund (4 cents) (see Section 5).

Section 1. Minn. Stat. § 298.225, subd. 1, was amended to add paragraphs (d) and (e) to guarantee these distributions for two years after the year in which Mesabi Metallics begins producing tonnage. Section 1. Subdivision 2 was amended to add paragraph (b) to require that the DJJ economic protection fund provide this guarantee. The guarantee money is first taken from the initial current year distribution to the fund. If the money taken from this fund is insufficient to fund the guarantee, then the commissioner of the IRRR shall satisfy the guarantee from the corpus of the fund as directed by the commissioner of revenue. Section 1.

Technical changes. The following three technical changes were made to sections 298.225 and 298.28:

- **Electric power plants.** Minn. Stat. § 298.225, subd. 1(a), was amended to clarify that the distribution to electric power plants in section 298.28, subd. 6(c) is guaranteed in the same manner as the distribution to electric power plants in section 298.28, subd. 6(b). Section 1.

- **ISD 2909, Rock Ridge.** Minn. Stat. § 298.28, subd. 4(b), was amended to add new clause (2)(iii) to recognize the consolidation of ISD 706, Virginia, and ISD 2154, Eveleth-Gilbert, by referring to them as ISD 2909, Rock Ridge. Section 5.

- **Taconite environmental fund.** Minn. Stat. § 298.28, subd. 9b, was amended to add the word "taxable" before the word "ton." Section 9. Effective May 28, 2026.

Effective Date. Except for Section 9 of Article 5 (relating to a technical change), all sections in Article 5 are effective for distributions in the year after the year in which Mesabi Metallics begins producing tonnage subject to the Production Tax and thereafter. Section 13(a). The commissioner of revenue must certify to the commissioner of Iron Range resources and rehabilitation when production begins. Section 13(a). The commissioner of revenue must notify the revisor of statutes within 30 days of this certification. Section 13(b).

Aggregate Production Tax; Tax imposed. Minn. Stat. § 298.75, subd. 2, was amended to delete paragraph (e), which by its terms expired on December 31, 2024. Deleted paragraph (e) permitted a county that borders two other states and that is not contiguous to a county that imposes the aggregate production tax to impose that tax at the rate of ten cents per cubic yard or seven cents per ton. Effective August 1, 2026. 2026 Minn. Laws, Ch. 88, Art. 1, § 180.