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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 440

01/29/2015 Authored by Davids

The bill was read for the first time and referred to the Committee on Mining and Outdoor Recreation Policy

1.1 A bill for an act  
1.2 relating to taxation; minerals; taconite production; freezing the rate and modifying  
1.3 the distribution of revenues; amending Minnesota Statutes 2014, sections 298.24,  
1.4 subdivision 1; 298.28, subdivisions 3, 7, 7a, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 298.24, subdivision 1, is amended to read:

1.7 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced beginning in  
1.8 ~~2013~~ 2015, there is imposed upon taconite and iron sulphides, and upon the mining and  
1.9 quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon  
1.10 the concentrate so produced, a tax of ~~\$2.56~~ \$2.60 per gross ton of merchantable iron ore  
1.11 concentrate produced therefrom. The tax is also imposed upon other iron-bearing material.

1.12 (b) ~~For concentrates produced in 2014 and subsequent years, the tax rate shall be~~  
1.13 ~~equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate~~  
1.14 ~~multiplied by the percentage increase in the implicit price deflator from the fourth quarter~~  
1.15 ~~of the second preceding year to the fourth quarter of the preceding year. "Implicit price~~  
1.16 ~~deflator" means the implicit price deflator for the gross domestic product prepared by the~~  
1.17 ~~Bureau of Economic Analysis of the United States Department of Commerce.~~

1.18 (e) An additional tax is imposed equal to three cents per gross ton of merchantable  
1.19 iron ore concentrate for each one percent that the iron content of the product exceeds 72  
1.20 percent, when dried at 212 degrees Fahrenheit.

1.21 (d) (c) The tax on taconite and iron sulphides shall be imposed on the average of the  
1.22 production for the current year and the previous two years. The rate of the tax imposed  
1.23 will be the current year's tax rate. This clause shall not apply in the case of the closing  
1.24 of a taconite facility if the property taxes on the facility would be higher if this clause

2.1 and section 298.25 were not applicable. The tax on other iron-bearing material shall be  
2.2 imposed on the current year production.

2.3 ~~(e) If the tax or any part of the tax imposed by this subdivision is held to be~~  
2.4 ~~unconstitutional, a tax of \$2.56 per gross ton of merchantable iron ore concentrate~~  
2.5 ~~produced shall be imposed.~~

2.6 ~~(f)~~ (d) Consistent with the intent of this subdivision to impose a tax based upon the  
2.7 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly  
2.8 determine the weight of merchantable iron ore concentrate included in fluxed pellets by  
2.9 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic  
2.10 flux additives included in the pellets from the weight of the pellets. For purposes of this  
2.11 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,  
2.12 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.  
2.13 No subtraction from the weight of the pellets shall be allowed for binders, mineral and  
2.14 chemical additives other than basic flux additives, or moisture.

2.15 ~~(g)~~ (e)(1) Notwithstanding any other provision of this subdivision, for the first two  
2.16 years of a plant's commercial production of direct reduced ore from ore mined in this state,  
2.17 no tax is imposed under this section. As used in this paragraph, "commercial production" is  
2.18 production of more than 50,000 tons of direct reduced ore in the current year or in any prior  
2.19 year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore  
2.20 in any year, and "direct reduced ore" is ore that results in a product that has an iron content  
2.21 of at least 75 percent. For the third year of a plant's commercial production of direct  
2.22 reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise  
2.23 determined under this subdivision. For the fourth commercial production year, the rate is  
2.24 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial  
2.25 production year, the rate is 75 percent of the rate otherwise determined under this  
2.26 subdivision; and for all subsequent commercial production years, the full rate is imposed.

2.27 (2) Subject to clause (1), production of direct reduced ore in this state is subject to  
2.28 the tax imposed by this section, but if that production is not produced by a producer of  
2.29 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron  
2.30 sulfides, or other iron-bearing material, that is consumed in the production of direct  
2.31 reduced iron in this state is not subject to the tax imposed by this section on taconite,  
2.32 iron sulfides, or other iron-bearing material.

2.33 (3) Notwithstanding any other provision of this subdivision, no tax is imposed  
2.34 on direct reduced ore under this section during the facility's noncommercial production  
2.35 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial  
2.36 production of direct reduced ore is subject to the tax imposed by this section on taconite

3.1 and iron sulphides. Three-year average production of direct reduced ore does not  
3.2 include production of direct reduced ore in any noncommercial year. Three-year average  
3.3 production for a direct reduced ore facility that has noncommercial production is the  
3.4 average of the commercial production of direct reduced ore for the current year and the  
3.5 previous two commercial years.

3.6 (4) This paragraph applies only to plants for which all environmental permits have  
3.7 been obtained and construction has begun before July 1, 2008.

3.8 **EFFECTIVE DATE.** This section is effective for taconite production occurring  
3.9 after December 30, 2014.

3.10 Sec. 2. Minnesota Statutes 2014, section 298.28, subdivision 3, is amended to read:

3.11 Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed  
3.12 under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid  
3.13 account to be distributed as provided in section 298.282.

3.14 (b) An amount must be allocated to towns or cities that is annually certified by  
3.15 the county auditor of a county containing a taconite tax relief area as defined in section  
3.16 273.134, paragraph (b), within which there is (1) an organized township if, as of January  
3.17 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron  
3.18 ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation  
3.19 of the city consists of iron ore.

3.20 (c) The amount allocated under paragraph (b) will be the portion of a township's or  
3.21 city's certified levy equal to the proportion of (1) the difference between 50 percent of  
3.22 January 2, 1982, assessed value in the case of a township and 50 percent of the January 2,  
3.23 1980, assessed value in the case of a city and its current assessed value to (2) the sum of  
3.24 its current assessed value plus the difference determined in (1), provided that the amount  
3.25 distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in  
3.26 the case of a city. For purposes of this limitation, population will be determined according  
3.27 to the 1980 decennial census conducted by the United States Bureau of the Census. If the  
3.28 current assessed value of the township exceeds 50 percent of the township's January 2,  
3.29 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the  
3.30 city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this  
3.31 paragraph, "assessed value," when used in reference to years other than 1980 or 1982,  
3.32 means the appropriate net tax capacities multiplied by 10.2.

3.33 (d) In addition to other distributions under this subdivision, three cents per taxable  
3.34 ton for distributions in 2009 must be allocated for distribution to towns that are entirely  
3.35 located within the taconite tax relief area defined in section 273.134, paragraph (b). For

4.1 distribution in 2010 through 2014 ~~and for distribution in 2018 and subsequent years~~, the  
 4.2 three-cent amount must be annually increased in the same proportion as the increase  
 4.3 in the implicit price deflator as provided in section 298.24, subdivision 1. The amount  
 4.4 available under this paragraph will be distributed to eligible towns on a per capita basis,  
 4.5 provided that no town may receive more than \$50,000 in any year under this paragraph.  
 4.6 Any amount of the distribution that exceeds the \$50,000 limitation for a town under this  
 4.7 paragraph must be redistributed on a per capita basis among the other eligible towns, to  
 4.8 whose distributions do not exceed \$50,000.

4.9 **EFFECTIVE DATE.** This section is effective for taconite production occurring  
 4.10 after December 30, 2014.

4.11 Sec. 3. Minnesota Statutes 2014, section 298.28, subdivision 7, is amended to read:

4.12 Subd. 7. **Iron Range Resources and Rehabilitation Board.** For the 1998  
 4.13 distribution, 6.5 cents per taxable ton shall be paid to the Iron Range Resources and  
 4.14 Rehabilitation Board for the purposes of section 298.22. That amount shall be increased  
 4.15 for distribution years 1999 through 2014 ~~and for distribution in 2018 and subsequent~~  
 4.16 ~~years~~ in the same proportion as the increase in the implicit price deflator as provided in  
 4.17 section 298.24, subdivision 1. The amount distributed pursuant to this subdivision shall  
 4.18 be expended within or for the benefit of the taconite assistance area defined in section  
 4.19 273.1341. No part of the fund provided in this subdivision may be used to provide loans  
 4.20 for the operation of private business unless the loan is approved by the governor.

4.21 **EFFECTIVE DATE.** This section is effective for taconite production occurring  
 4.22 after December 30, 2014.

4.23 Sec. 4. Minnesota Statutes 2014, section 298.28, subdivision 7a, is amended to read:

4.24 Subd. 7a. **Iron Range school consolidation and cooperatively operated school**  
 4.25 **account.** The following amounts must be allocated to the Iron Range Resources and  
 4.26 Rehabilitation Board to be deposited in the Iron Range school consolidation and  
 4.27 cooperatively operated school account that is hereby created:

4.28 (1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax  
 4.29 imposed under section 298.24; and (ii) for distributions beginning in 2024, five cents per  
 4.30 taxable ton of the tax imposed under section 298.24;

4.31 (2) the amount as determined under section 298.17, paragraph (b), clause (3); and

4.32 ~~(3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax~~  
 4.33 ~~proceeds attributable to the increase in the implicit price deflator as provided in section~~

5.1 ~~298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J.~~  
 5.2 ~~Johnson economic protection trust fund;~~

5.3 ~~(ii) for distributions in 2016, an amount equal to two-thirds of the sum of the~~  
 5.4 ~~increased tax proceeds attributable to the increase in the implicit price deflator as provided~~  
 5.5 ~~in section 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining~~  
 5.6 ~~one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and~~

5.7 ~~(iii) for distributions in 2017, an amount equal to two-thirds of the sum of the~~  
 5.8 ~~increased tax proceeds attributable to the increase in the implicit price deflator as provided~~  
 5.9 ~~in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with the~~  
 5.10 ~~remaining one-third to be distributed to the Douglas J. Johnson economic protection~~  
 5.11 ~~trust fund; and~~

5.12 ~~(4)~~ (3) any other amount as provided by law.

5.13 Expenditures from this account shall be made only to provide disbursements to  
 5.14 assist school districts with the payment of bonds that were issued for qualified school  
 5.15 projects, or for any other school disbursement as approved by the Iron Range Resources  
 5.16 and Rehabilitation Board. For purposes of this section, "qualified school projects" means  
 5.17 school projects within the taconite assistance area as defined in section 273.1341, that were  
 5.18 (1) approved, by referendum, after April 3, 2006; and (2) approved by the commissioner  
 5.19 of education pursuant to section 123B.71.

5.20 Beginning in fiscal year 2019, the disbursement to school districts for payments for  
 5.21 bonds issued under section 123A.482, subdivision 9, must be increased each year to  
 5.22 offset any reduction in debt service equalization aid that the school district qualifies for in  
 5.23 that year, under section 123B.53, subdivision 6, compared with the amount the school  
 5.24 district qualified for in fiscal year 2018.

5.25 No expenditure under this section shall be made unless approved by seven members  
 5.26 of the Iron Range Resources and Rehabilitation Board.

5.27 **EFFECTIVE DATE.** This section is effective for taconite production occurring  
 5.28 after December 30, 2014.

5.29 Sec. 5. Minnesota Statutes 2014, section 298.28, is amended by adding a subdivision  
 5.30 to read:

5.31 **Subd. 16. Suspension of certain distributions.** (a) The distribution or payment of  
 5.32 the proceeds of the taxes imposed by section 298.24 to the Douglas J. Johnson economic  
 5.33 protection trust fund under subdivisions 9 and 11 must not be made until the conditions in  
 5.34 paragraph (b) are satisfied.

5.35 (b) The conditions of this paragraph are satisfied only if both of the following occur:

6.1           (1) the Iron Range Resources and Rehabilitation Board rescinds its adoption of  
6.2 Resolution No. 15-016, approving expenditures of up to \$100,000,000 of the corpus of  
6.3 the Douglas J. Johnson economic protection trust fund. Rescission may be adopted by  
6.4 the board by a simple majority vote. The board and commissioner must also refrain from  
6.5 adopting an equivalent or similar resolution or policy transferring or authorizing the  
6.6 transfer of money in the Douglas J. Johnson economic protection trust fund to a nonprofit  
6.7 corporation established by the commissioner to implement undefined or nonspecific future  
6.8 projects; and

6.9           (2) the commissioner of Iron Range resources and rehabilitation does not enter into  
6.10 a contract authorized by or to implement Resolution No. 15-016. If the commissioner  
6.11 has entered into such a contract with the Range Trust, a nonprofit corporation created  
6.12 by the commissioner, the commissioner must rescind, cancel, or otherwise void that  
6.13 contract. If any money has been paid or transferred to the Range Trust under a contract,  
6.14 the unexpended amounts held by the Range Trust, or any successor entity, must be repaid  
6.15 to the Douglas J. Johnson economic protection trust fund.

6.16           (c) Pending satisfaction of the requirements of paragraph (b), the amount of any  
6.17 distributions suspended under paragraph (a) must be placed in a special account in the  
6.18 state treasury to provide property tax relief to properties located in the taconite assistance  
6.19 area that do not qualify for credits under section 273.135 or 273.1391, or to provide  
6.20 additional amounts under section 298.227.

6.21           **EFFECTIVE DATE.** This section is effective the day following final enactment.