

S.F. No. 3208 – Converting Net Proceeds Tax into Gross Proceeds Tax; Modifying Distributions of Gross Proceeds and Taconite Production Taxes; Authorizing Transfers and One-Time Distributions (as proposed to be amended by A-4)

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Section 1. This section was deleted in the A-4 amendment.

Section 2. Property subject to the taconite production tax or gross proceeds tax. Provides a conforming change related to the conversion of the net proceeds tax proposed in Section 5. Effective beginning with assessment year 2023.

Section 3. Taconite assistance area. Modifies the boundary of the ‘taconite assistance area’ to include a municipality located in a county: (1) already partially included within the taconite assistance area; and (2) where the active mining of nonferrous materials is occurring, or where a mine subject to the minimum payment proposed in Section 5 is located. Effective for taxable years beginning after December 31, 2022.

Section 4. Taconite, other ores, metals, or minerals; production materials. Provides a conforming change related to the conversion of the net proceeds tax proposed in Section 5. Effective the day following final enactment.

Section 5. Gross proceeds tax on mining. Converts the net proceeds tax to a gross proceeds tax. The net proceeds tax applies to the mining or production of nonferrous materials including all ores, metals and minerals mined, extracted, produced, or refined within Minnesota, other than sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore and taconite concentrates. This section also:

1. Reduces the tax rate from 2% to 0.4%;
2. Eliminates deductions under current law for the expenses of converting raw materials to marketable quality; and

3. Establishes a prorated \$2 million minimum payment for operators who obtained all required permits to mine the property but have yet to begin mining, unless the commissioner of revenue verifies that active litigation preventing the business of mining is pending.

Effective for taxable years beginning after December 31, 2022.

Section 6. Within taconite assistance area. Modifies the distribution of the proposed gross proceeds tax by:

1. Reducing, from 20% to 10%, the distribution to the county where mining or processing occurs;
2. Reducing, from 20% to 5%, the distribution to the property tax relief account;
3. Increasing, from 5% to 20%, the distribution to the Iron Range Resources and Rehabilitation account;
4. Adding a 10% distribution to be used for capital improvements to Giants Ridge Recreation Area; and
5. Directing 10% of the proceeds for the first five years that the tax is paid to six designated municipalities.

Effective for distributions beginning after December 31, 2022.

Section 7. Distribution date. Provides a conforming change related to the conversion of the net proceeds tax proposed in Section 5. Effective the day following final enactment.

Section 8. This section was deleted in the A-4 amendment.

Section 9. Counties. Eliminates a five-cent increase of the production tax distribution to the county road and bridge fund that would have commenced with distributions beginning in 2024. Effective the day following final enactment.

Section 10. Iron Range school consolidation and cooperatively operated school account. Eliminates the five-cent decrease of the production tax distribution to the Iron Range school consolidation and cooperatively operated school account that would have commenced with distributions beginning in 2024. Effective the day following final enactment.

Section 11. Temporary loan authority. Provides a conforming change related to the conversion of the net proceeds tax proposed in Section 5. Effective the day following final enactment.

Section 12. Transfer 2023 distribution only. Provides a onetime transfer of up to \$6 million from the property tax relief account to the Iron Range resources and rehabilitation account to be distributed to twenty two designated municipalities, school districts, and other entities. If the amount of the transfer is less than \$6 million, all distributions must be proportionally reduced. Effective the day following final enactment and applies only to the 2023 distribution.

The A-4 amendment added two new sections to SF 3208

1. **Transfer.** Provides that of the amount of taconite production tax proceeds annually distributed to the Douglas J. Johnson Economic Protection Trust Fund, \$3,500,000 shall be transferred to the Iron Range School Consolidation and Cooperatively Operated School

Account, and the remainder transferred to the Iron Range resources and rehabilitation account. Effective beginning with the 2023 distribution.

2. **2023 Transfer.** Provides that of the amount of taconite production tax proceeds distributed to the Douglas J. Johnson Economic Protection Trust Fund for distribution in 2023 only, \$3,500,000 shall be transferred to the Iron Range School Consolidation and Cooperatively Operated School Account. Effective for the 2023 distribution only.