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## FOREWORD

The purpose of this report is: 1) to inform readers of the current mining tax structure in Minnesota; 2) to look at future projections in order to get a perception of the magnitude of the changes, which will occur in mining tax collections in the next four to five years; and 3) to initiate discussion of issues that may arise in the mining tax area.

The figures presented in all tables have been summarized for occupation, production, and royalty taxes in order that the effects of the projections in this report may be seen for the entire mining industry in Minnesota, instead of concentrating on certain mining companies.

This report has not advocated any positions in the mining tax area, but instead has presented the available data with appropriate analysis. Most of the historical data in this report is from the mining tax returns of the companies. The future projections are based on taconite tonnage projections from Lake Superior Industrial Bureau and Iron Ore tonnages estimated by the Mining Section of the Property Equalization Division of the Department of Revenue.

It should be emphasized that the projections through 1979 are not meant to be used as budget estimates of tax revenues, but instead are projections based on the assumptions used for the various taxes. The projections are based on knowledge as of April, 1977.

## I. MINING TAX COLLECTIONS IN MINNESOTA FOR IRON ORE AND TACONITE

The mining industry in Minnesota has undergone rapid changes in the last decade. The major change has been a remarkable shift from the production of iron ore to the production of taconite pellets. The changes have been necessary because of the near exhaustion of high grade iron ore in Minnesota. The potential of Minnesota's huge taconite reserves is just now being utilized with an anticipated increase in Minnesota taconite production capacity from about 42 million tons in 1975 to an estimated capacity of 65 million tons by 1980. The nature of taxation of iron ore and taconite has changed in Minnesota as has the relative importance of occupation and production taxes.

This report will focus on the taxation of both iron ore and taconite. The taxes imposed on the production of iron ore and taconite will be explored, along with the disposition of the funds received from this taxation. The report will also look at the future in an attempt to show what may happen at the time the annual taconite production capacity in Minnesota reaches 65 million tons around 1980.

Table I on the next page, is a summary of the amounts of taconite and iron ore mined in Minnesota since 1955. The table shows the switch from the production of iron ore to taconite pellets, which has occurred in the last twenty years. The tonnage figures shown are net merchantable tonnage, that is, ore which is actually sold for the production of steel after excess materials have been removed.

Table I

Iron Ore and Taconite Produced in Minnesota  
1955-1975 (Thousands of Tons)

<u>Year</u>	<u>Iron Ore</u>	<u>Taconite</u>	<u>Total</u>
			67,893
1955	66,545	1,348	62,593
1956	57,529	5,064	68,115
1957	61,304	6,811	41,819
1958	33,247	8,572	35,995
1959	27,578	8,417	
			57,425
1960	44,042	13,383	43,640
1961	30,458	13,182	45,069
1962	30,543	14,526	45,383
1963	28,682	16,701	49,141
1964	30,636	18,505	
			52,466
1965	33,462	19,004	54,278
1966	32,601	21,677	49,791
1967	25,480	24,311	52,162
1968	21,893	30,269	53,636
1969	22,511	31,125	
			56,520
1970	21,172	35,348	51,308
1971	17,530	33,778	48,993
1972	14,439	34,554	59,770
1973	17,941	41,829	58,707
1974	17,654	41,053	
			51,067
1975	10,258	40,809	50,069
1976	9,494	40,575	

## II. OCCUPATION TAXES

### Taconite Occupation Tax

The taconite occupation tax is based on the market value of taconite produced by each company, which is based on the Lake Erie price of taconite pellets. Several business expenses are deducted from the market value of taconite, including statutory and nonstatutory deductions. Statutory deductions include the following: development costs, supplies and labor costs, administrative expenses, depreciation, royalty, ad valorem taxes, and certain other miscellaneous expenses. Nonstatutory deductions consist of stockpile loading costs, beneficiation costs, transportation and marketing costs, and certain miscellaneous expenses. After the above deductions are made from the market value of the taconite, the fifteen percent taconite occupation tax is applied to the remaining income. The taconite companies are then allowed to deduct a certain amount of the cost of labor from the calculated tax. The companies are also allowed to deduct a portion of certain other expenses from their tax, including credits for low grade ore research, experimentation, exploration and any mining costs exceeding the value of ore. After the above credits are deducted, the remainder is the taconite occupation tax paid by the company.

Table II shows, for productions years 1955-1975, the total taconite occupation tax collections in Minnesota. These figures may be different than the total of the taconite occupation tax liabilities for the companies for a particular year, because of adjustments for prior years. Such adjustments are due to changes in interpretation per certain deductions, mistakes made in prior years, and anything else that would result in additional occupation tax due, or in a credit against the occupation tax for a particular year for a company.

Table II shows that the taconite occupation tax has risen dramatically from 1973 to 1975. This large increase is mostly due to the extraordinary increase in the market value of taconite in Minnesota, from \$18.03 per ton in 1973 to \$28.85 per ton in 1975. The large increase in the market value of taconite for the period 1973-75 (60%) can be seen in table III, which is a summary of the taconite occupation tax returns for the production years 1973-75 for the taconite companies.

Table IV shows the local distribution of the taconite occupation tax for production years 1973 and 1974 (distribution years 1974 and 1975). The 1975 Minnesota legislature abolished this distribution for production years after 1974. Formerly 25 percent of the taconite occupation tax was distributed to the counties, cities, towns, and school districts wherein taconite mining and concentration occurred. The aid amounts were distributed 40 percent to the location of mining and quarrying and 60 percent to the location of concentrating. Of the 25 percent of taconite occupation tax collections that were distributed locally, 50 percent went to school districts, 25 percent was distributed to counties and 25 percent was distributed to cities or townships. No taconite occupation tax aid amount in excess of five

cents per ton was allowed to be paid to any governmental subdivision. It should be noted that this source of revenue was not lost to the school districts when the taconite occupation tax distribution was repealed. The changes in the 1975 taconite production tax included a new school district aid distribution whereby the school districts would receive at least as much aid in the new production tax distribution as they received in 1975 (1974 production year) from the taconite occupation tax aids.

At the current time all of the taconite occupation tax goes to the state general fund, where 40 percent of it is earmarked for elementary and secondary education, 10 percent goes to the University of Minnesota, and 5 percent is transferred to the Iron Range Resources and Rehabilitation Commission (IRRRC).

Shown below is a history of the taconite occupation tax rates from 1950 to the current time.

Original Adoption:	1921
Original Rate:	6%
Tax Rate Changes:	From 1950 on
	1959 - 12%
	1971 - 15%

#### Iron Ore Occupation Tax

The iron ore occupation tax is based on the market value of iron ore produced by each company, which is based on the Lake Erie price per ton of iron ore. Statutory deductions (development costs, supplies and labor costs, administrative expenses, depreciation, royalty, ad valorem taxes, and certain miscellaneous expenses) and nonstatutory deductions (stockpile loading costs, beneficiation costs, transportation and marketing costs, and certain miscellaneous expenses) are subtracted from the market value of the iron ore. The iron ore occupation tax rate of 15.5 percent is applied to the remaining income after the deductions noted above. The labor credit for iron ore mining, which is usually very small, is subtracted from the calculated tax as are any other iron ore occupation tax credits such as credits for low grade research, experimentation credits, exploration credits, and credits for mining costs which exceed the value of the ore. The tax figure after these credits are subtracted is the iron ore occupation tax.

Table V is a summary of iron ore occupation tax collections for production years 1973-75. As with taconite the average market value of iron ore increased dramatically from 1973 to 1975. The iron ore market value rose 48.2 percent from \$12.34 per ton in 1973, to \$18.29 per ton in 1975. At the same time as this increase in market value was occurring the number of tons of iron ore produced fell from 17.9 million tons in 1973 to 10.3 million tons in 1975. The drop in tonnage helped



account for a drop in iron ore occupation tax liabilities, from \$8.9 million in production year 1973 to \$5.0 million in production year 1975. The decline in 1975 production is due in part to the slack demand for steel which depressed 1975 steel production in the United states.

The iron ore occupation tax is deposited in the state general fund where 40 percent of it is credited to support of elementary and secondary schools, 10 percent is used for general support of the University of Minnesota, and 5 percent is transferred to the IRRRC.

Shown below is a summary of changes in the iron ore occupation rates from 1921 to the present.

Original Adoption:	1921	
Original Rate:	6%	
Tax Rate Changes:	1937 - 10%	1939 - 9%
	1938 - 8%	1941 - 10.5%
	1947 - 11%	1955 - 13.65%
	1949 - 12%	1959 - 14.25%
		1971 - 15.5%

Table II

Taconite Occupation Tax Collections  
in Minnesota 1955-1975

<u>Production Year</u>	<u>Taconite Tonnage (thousands)</u>	<u>Taconite Occupation Tax (thousands of \$)</u>	<u>Taconite Occupation Tax per Ton (cents)</u>
1955	1,348	\$ -0-	-0-
1956	5,064	-0-	-0-
1957	6,811	154	2.3¢
1958	8,572	161	1.9
1959	8,417	93	1.1
1960	13,383	\$ 638	4.8¢
1961	13,182	898	6.8
1962	14,526	1,108	7.6
1963	16,701	1,318	7.9
1964	18,505	1,211	6.5
1965	19,004	\$ 1,746	9.2¢
1966	21,677	1,824	8.4
1967	24,311	1,604	6.6
1968	30,269	1,822	6.0
1969	31,125	2,301	7.4
1970	35,348	\$ 3,177	9.0¢
1971	33,778	5,388	16.0
1972	34,554	3,664	10.6
1973	41,829	6,885	16.5
1974	41,053	10,235	24.9
1975	40,809	\$19,218	47.1¢
1976	40,575	18,754 (tentative)	46.2

Table III  
Taconite Occupation Tax Collections  
Summary for Production  
Years 1973-76

	<u>Total All Companies</u>			<u>Tentative</u>
	<u>1973</u> 6	<u>1974</u> 6	<u>1975</u> 6	<u>1976</u> 7
Number of Mines				
Net Marketable Tonnage	41,829,345	41,053,287	40,808,917	40,574,591
Market Value Per Ton	\$ 18.03	\$ 22.12	\$ 28.85	\$ 32.20
Total Market	754,353,215	908,221,090	1,177,190,051	1,306,524,820
<u>Nonstatutory Deductions</u>				
Cost of Stockpile Loading	-0-	-0-	-0-	-0-
Cost of Beneficiation	\$291,415,255	\$333,987,900	\$ 394,672,978	\$ 463,644,358
Transportation Costs	197,405,229	237,833,793	278,950,239	306,639,575
Marketing Costs	2,070,553	2,041,606	2,037,586	2,025,936
Miscellaneous Expense	85,545	85,037	75,615	75,837
Total Expense	\$490,976,582	\$573,948,336	\$ 675,736,418	\$ 772,385,706
Value of Ore at Mouth of Mine	\$263,376,633	\$334,272,754	\$ 501,453,633	\$ 534,139,114
<u>Statutory Deductions</u>				
Cost of Development	\$ 25,620,755	\$ 30,717,976	\$ 36,486,187	\$ 78,738,338
<u>Mining Costs</u>				
Supplies & Labor	70,102,088	82,824,536	102,805,734	114,782,951
Administrative Expenses	6,205,395	6,468,228	7,608,823	8,459,000
Miscellaneous Costs	9,554,348	12,801,192	17,775,571	19,783,381
Depreciation	11,384,341	11,308,922	13,624,832	14,954,058
Royalty	28,405,871	33,345,163	39,835,370	43,693,193
Ad Valorem Taxes	10,957,554	6,994,060	8,030,039	8,302,315
Total Statutory Deductions	\$162,230,352	\$184,460,077	\$ 226,166,556	\$ 288,713,236
Value of Ore for Tax	101,146,281	149,812,677	275,287,077	245,425,878
Basic Tax at 15% <sup>1)</sup>	15,171,942	22,471,901	41,293,061	41,805,101
Credit for Labor	\$ 8,344,567	\$ 12,359,547	\$ 22,300,421	\$ 22,992,805
Net Tax after Labor Credit	6,827,375	10,112,354	18,992,640	18,812,296
Other Credits	3,206	16,596	37,589	58,181
Net Tax Due	6,824,169	10,095,758	18,955,051	18,754,115

1) 1976 figure is not 15% of total value, as 3 companies showed losses

Table IV

Taconite Occupation Tax Distribution for  
Production Years 1973 and 1974  
(Does not include adjustments)

		<u>Total All Companies</u>	
		<u>1973</u>	<u>1974</u>
Itasca County		\$ 20,788	\$ 35,106
Keewatin C.		5,207	8,326
Nashwauk C.		5,367	8,079
Greenway T.		\$ 4,167	\$ 7,511
Lone Pine T.		1,817	2,820
Nashwauk T.		4,230	8,370
S.D. 316	(Coleraine)	\$ 39,314	\$ 63,088
S.D. 319	(Nashwauk)	2,261	7,124
Lake County		\$ 27,739	\$ 57,979
Silver Bay C.		27,739	57,979
S.D. 381	(Lake Co.)	55,477	115,957
St. Louis County		\$ 377,984	\$ 385,643
Babbitt C.		35,161	60,454
Eveleth C.		66	1,921
Hoyt Lakes C.		98,530	92,602
Mt. Iron C.		176,991	145,670
Virginia C.		\$ 1,652	\$ 1,235
Great Scott T.		\$ 13,050	\$ 11,910
McDavitt T.		3,764	8,048
Missabe Mt. T.		1,803	4,817
Stuntz T.		11,598	25,747
White		35,368	33,240
S.D. 691	(Aurora)	\$ 219,133	\$ 205,948
S.D. 692	(Babbitt)	70,324	120,909
S.D. 693	(Biwabik)	48,663	45,735
S.D. 694	(Buhl)	26,099	23,821
S.D. 697	(Eveleth)	\$ 3,739	\$ 13,475
S.D. 701	(Hibbing)	23,196	51,493
S.D. 703	(Mt. Iron)	353,982	291,339
S.D. 706	(Virginia)	3,304	2,470
S.D. 710	(Unorg.)	<u>7,528</u>	<u>16,096</u>
Totals		\$1,706,041	\$1,914,912

Table V  
Iron Ore Occupation Tax Collections  
Summary for Production  
Years 1973-76

	1973	Total All Companies		Tentative
		1974	1975	1976
	23	26	26	38
Number of Mines	17,941,113	17,653,668	10,257,996	9,494,230
Net Merchantable Tonnage	\$ 12.34	\$ 15.29	\$ 18.29	\$ 19.83
Market Value Per Ton	221,468,390	269,864,123	187,663,527	188,231,573
Total Market Value				
<u>Nonstatutory Deductions</u>	\$ 282,795	\$ 310,010	\$ 656,991	\$ 886,935
Cost of Stockpile Loading	16,110,842	19,345,023	17,857,313	16,385,237
Cost of Beneficiation	84,669,494	109,639,255	70,975,746	68,829,394
Transportation Costs	887,708	877,718	511,540	455,618
Marketing Costs	35,746	35,420	21,900	22,522
Miscellaneous Expense				
Total Expense	\$101,986,585	\$130,207,426	\$ 90,023,490	\$ 86,579,706
Value of Ore at Mouth of Mine	\$119,481,805	\$139,656,697	\$ 97,640,037	\$101,651,867
<u>Statutory Deductions</u>	\$ 14,644,328	\$ 18,282,716	\$ 16,834,900	\$ 18,370,592
Cost of Development				
<u>Mining Costs</u>	18,783,341	27,916,819	23,313,389	18,754,474
Supplies & Labor	3,694,290	4,343,888	3,896,551	3,235,835
Administrative Expenses	5,925,798	8,710,828	9,027,444	8,307,473
Miscellaneous Costs	4,128,367	4,032,494	4,047,939	776,204
Depreciation	9,687,047	10,586,784	7,063,548	8,251,910
Royalty	2,036,723	2,059,413	983,488	1,071,464
Ad Valorem Taxes				
Total Statutory Deductions	\$ 58,899,894	\$ 75,932,942	\$ 65,167,259	\$ 58,767,952
Value of Ore for Tax	\$ 60,581,911	\$ 63,723,755	\$ 32,485,726	\$ 42,883,915
Basic Tax at 15.5% <sup>1)</sup>	\$ 9,390,197	\$ 10,223,726	\$ 5,399,012	\$ 6,922,753
Credit for Labor	\$ 413,168	\$ 449,983	\$ 333,856	\$ 429,211
Net Tax after Labor Credit	8,977,029	9,773,743	5,065,155	6,493,542
Other Credits	97,897	75,813	27,038	10,414
Net Tax Due	\$ 8,879,132	\$ 9,697,932	\$ 5,038,117	\$ 6,483,128

- 1) The 1974, 1975 and 1976 figures are not 15.5% of the total value, because one company has a loss.
- 2) Market Values & Expenses on single mines operated at a loss by given companies not included.

### III. TACONITE PRODUCTION TAX

The taconite production tax is based on the number of tons of taconite concentrate produced by each company. The three parts of the taconite production tax are explained below. The number of merchantable tons of taconite is multiplied by each of the three rates to derive the total production tax due for each company. Table VI is a summary of the taconite production tax paid for production years 1973-75. Table VII shows the changes in the taconite production tax rates from 1972 to 1976 due to several factors including increases in the wholesale price index, statutory escalation of the additional tax, and the second additional tax, which was passed by the 1975 legislature.

#### Taconite Production Tax Rates

Shown below is a summary of the three parts of the taconite production tax rate.

##### Basic Tax

Original Adoption:	1947
Original Rate:	Six cents per ton plus iron content escalator.
Tax Rate Changes:	1969 - 11.5 cents per ton plus an iron content escalator equal to 0.1 cents per ton for each one percent the iron content exceeds 55%. A wholesale price index equal to 0.1 cents per ton for each point the index is above 110 using 1957-59 = 100, plus a school bond payment credit up to two cents per ton not to exceed the amount of school district bonds paid by the company.

##### Additional Tax

Original Adoption:	1971
Original Rate:	The rates were set to vary depending on the year of production as follows: 1971 4 cents per ton 1972 7 cents per ton 1973-74 9 cents per ton 1975-76 10 cents per ton 1977-78 12 cents per ton 1979 on 14 cents per ton The additional tax shall be increased by 0.1 cents for each one percent the wholesale price index exceeds 119 using 1957-59 = 100.

### Second Additional Tax

Original Adoption: 1975  
Original Rate: 39 cents per ton

### Taconite Production Tax Distribution

The distribution of the proceeds of the taconite production tax is as follows, with each of the three parts of the tax being distributed differently:

#### Basic Tax

3 percent to state general fund.  
47 percent to the taconite property tax relief account.  
27 percent to the school district in which the taconite was mined or quarried.  
11.5 percent to the city or township in which the taconite was mined or quarried.  
11.5 percent to the county in which the taconite was mined or quarried.

Any county and school district which contain a power plant providing power for a mining company in another county shall receive a distribution of three-fourths of one cent per gross ton of taconite produced by that company to be distributed, 25 percent to the county and 75 percent to the school district.

#### Additional Tax

The additional tax is distributed according to the schedule shown below. Each fund also receives that portion of the wholesale price escalator which its portion of the additional tax represents. The figures shown are cents per ton.

<u>Production Year</u>	<u>County Rd. and Bridge</u>	<u>IRRRRC</u>	<u>Taconite Property Tax Relief</u>	<u>Taconite Municipal Aid</u>	<u>Total</u>
1974	1 cent	1 cent	3 cents	4 cents	9 cents
1975	1 cent	1 cent	3 cents	5 cents	10 cents
1976	1 cent	1 cent	3 cents	5 cents	10 cents
1977	1 cent	1 cent	3 cents	7 cents	12 cents
1978	1 cent	1 cent	3 cents	7 cents	12 cents
1979	1 cent	1 cent	4 cents	8 cents	14 cents

### Second Additional Tax

A distribution of 10 cents per ton goes to the county in which taconite is mined or quarried or in which concentrate is produced. The distribution is made on the basis, 40 percent to the location of mining and quarrying, and 60 percent to the location of the concentrating operation.

A distribution of one cent per ton is made to any county containing an electric generating plant supplying power to a taconite plant in another county.

For the years 1976 and 1977 the 10 cent per ton county distribution shall be reduced by \$1.25 million each year for those counties that received money from the \$2.5 million appropriation for filtering Lake Superior drinking water. The amount deducted from each county's aids will equal the amount appropriated to the county.

Twenty cents per ton of the second additional tax is distributed to a group of school districts as follows: a) All school districts, which received taconite occupation tax aids in 1975 (1974 production) shall receive this aid amount first. b) After the distribution in a) the remainder of the funds shall be distributed to the school districts in which taconite was mined, quarried, or concentrated, to those districts containing a taconite homestead credit qualifying municipality, and to those districts containing property eligible for taconite homestead credit. The amount in b) will be distributed to eligible districts on the basis of each school district's levy compared to the total of all the levies for eligible districts.

One cent per ton is distributed to the IRRRC.

Eight cents per ton goes to the taconite property tax relief account.

Table VIII shows the taconite production tax distribution for production years 1973-75. The table shows that 1975 was the first year a group of school districts was eligible to receive aids from the taconite production tax. This new distribution was due to the passage in 1975 of the second additional tax of 39 cents per ton, and the 20 cent per ton distribution to school districts contained therein.



Table VI

Summary of Taconite Production Tax Paid  
For Production Years 1973-76

	<u>1973</u>	<u>Total All Mines</u> <u>1974</u>	<u>1975</u>	<u>1976</u>
Merchantable	41,829,345	41,053,287	40,808,917	40,574,591
<u>Basic Tax</u>				
Rate	\$ .115	\$ .115	\$ .115	\$ .115
Collections	4,810,375	4,721,128	4,693,026	4,666,078
Iron Content Rate	.00931	.0094	.00933	.00914
Collections	389,625	386,831	380,825	370,981
W.P.I. Escalator Rate	.022	.046	.072	.080
Collections	920,245	1,888,451	2,938,244	3,245,967
Total Basic Rate	.14631	.1704	.19633	.20414
Collections	6,120,245	6,996,410	8,012,094	8,283,026
<u>Additional Tax</u>				
Rate	\$ .09	\$ .09	\$ .10	\$ .10
Collections	3,764,641	3,694,796	4,080,892	4,057,459
W.P.I. Escalator Rate	.013	.037	.063	.071
Collections	543,781	1,518,972	2,570,961	2,880,796
Total Additional Rate	.103	.127	.163	.171
Collections	4,308,421	5,213,768	6,651,853	6,938,255
<u>Second Additional Tax</u>				
Total Second				
Additional Rate	\$ -0-	\$ -0-	\$ 39.0	\$ 39.0
Collections	-0-	-0-	15,915,477	15,824,090
<u>Total Production Tax</u>				
Rate	\$ .24931	\$ .2974	\$ .74933	\$ .76514
Collections <sup>1)</sup>	\$10,159,037	\$11,953,849	\$30,347,065	\$30,857,046

- 1) Total collections reflect the deduction of school bond credits and the inclusion of the Cook Co. generating plant distribution.

Total collections reflect adjustments for prior years over estimates.

Table VII

Changes in Taconite Production Tax Rates  
 Production Years 1972-1976  
 (cents per ton)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Basic Tax Rate	11.50¢	11.50¢	11.50¢	11.50¢	11.50¢
Iron Content Rate <sup>1</sup>	1.15	0.93	0.94	0.93	.91
Wholesale Price Escalator	1.30	2.20	4.60	7.20	8.00
Total Basic Rate	13.95¢	14.63¢	17.04¢	19.63¢	20.41
Additional Tax Rate	7.00¢	9.00¢	9.00¢	10.00¢	10.00¢
Wholesale Price Escalator	0.40	1.30	3.70	6.30	7.10
Total Additional Rate	7.40¢	10.30¢	12.70¢	16.30¢	17.10¢
1975 Additional Rate	-	-	-	39.00	39.00
Total Production Tax Rate	21.35¢	24.93¢	29.74¢	74.93¢	76.51

1) This is the average for all mines and is estimated for 1976.

**Table VIII**  
**Summary of Taconite Production Tax Distribution**

		<u>1973</u>	<u>1974</u>	<u>Total</u>	<u>1975</u>	<u>1976</u>
State of Minnesota		\$ 183,610	\$ 209,888		\$ 240,363	\$ 248,829
Tac. Prop. Tax Relief		3,952,816	4,675,104		8,688,442	8,956,605
Tac. Mun. Aid Account		1,914,855	2,323,393		3,399,588	3,570,679
IRRRB Account		478,714	579,307		1,073,275	1,099,571
Itasca Co. Road & Bridge		\$ 31,954	\$ 39,857		\$ 43,079	\$ 45,125
St. Louis Co. Road & Bridge		369,581	441,386		441,386	441,386
Lake Co. Road & Bridge		63,811	78,498		93,479	92,172
Cook Co. Road & Bridge		13,368	13,404		13,580	13,591
St. Louis County		\$ 563,910	\$ 641,173		\$ 2,840,990	\$ 2,875,975
Itasca County		47,550	55,860		324,429	326,341
Lake County		92,379	109,063		512,143	486,720
Cook County		21,858	20,433		93,605	92,477
Fayal Twp.		\$ 14,584	\$ 18,779		\$ 20,422	\$ 1,401
Great Scott Twp.		9,256	11,886		30,860	8,059
Greenway Twp.		4,036	4,462		4,144	7,003
Lone Pine Twp.		18,553	21,063		24,894	4,567
McDavitt Twp.						30,180
Missabe Mtn. Twp.		\$ 908	\$ 1,327		\$ 1,649	\$ 1,052
Nashwauk Twp.		10,772	13,553		11,736	13,596
Stuntz Twp.		39,908	42,969		50,635	56,723
White Twp.		47,900	51,099		59,147	46,108
Aurora C.		\$ 11,919	\$ 13,175		\$ 12,238	\$ 8,528
Keewatin C.		197,800	229,680		263,789	13,487
Mountain Iron C.		11,566	12,784		11,875	274,646
Nashwauk C.		95,288	111,786		128,395	13,087
Babbitt C.						128,118
Hibbing C.		\$ 133,443	\$ 145,930		\$ 168,449	\$ 2,876
Hoyt Lakes C.		92,288	109,063		126,480	179,481
Silver Bay C.		8,408	16,611		15,898	125,313
Eveleth C.		7,933	3,306		6,778	20,420
Virginia C.						9,293
(Cook Co.) School District 166		\$ 65,574	\$ 61,298		\$ 280,336	\$ 243,665
(St. Louis Unor.) S.D. 710		43,560	47,450		571,842	591,360
(Coleraine) S.D. 316		77,903	89,066		557,981	490,147
(Nashwauk) S.D. 319		58,413	69,646		243,105	248,628
(Hibbing) S.D. 701		\$ 69,018	\$ 73,322		\$ 1,020,908	\$ 1,061,896
(Mt. Iron) S.D. 703		464,395	539,248		910,671	967,763
(Virginia) S.D. 706		18,625	7,762		683,862	657,192
(Eveleth) S.D. 697		21,872	42,116		282,727	322,145
(Buhl) S.D. 694		\$ 34,241	\$ 44,090		\$ 158,397	\$ 124,539
(Aurora) S.D. 691		348,394	366,750		778,147	765,369
(Babbitt) S.D. 692		223,719	262,453		476,728	455,907
(Biwabik) S.D. 693		77,369	95,840		300,435	293,345
(Lake Co.) S.D. 381		\$ 216,891	\$ 256,062		\$ 684,015	\$ 681,128
(Gilbert) S.D. 699					124,894	128,849
(Grand Rapids) S.D. 318					1,484,708	1,483,341
(Tower) S.D. 708					173,485	187,854
(Ely) S.D. 696					230,211	225,021
(Chisholm) S.D. 695					317,171	285,952
(Crosby) S.D. 182					438,030	449,317
(Deer River) S.D. 317					254,654	259,501
(Aitkin) S.D. 1					474,011	490,715
Filtration Fund					1,250,000	1,250,000
TOTAL		\$10,159,038	\$11,951,942		\$30,347,066	\$30,857,046

#### IV. ROYALTY TAXES

The royalty tax is a tax on those who receive royalties from mining companies, so that the companies may explore for and mine iron ore and taconite on land leased or rented from the landowners. The royalty recipients may either own the land or a mineral interest in the land. Royalty taxes are paid on iron ore, taconite, and copper-nickel at the current time. For taconite and iron ore the royalty tax is withheld by the mining company when the royalty payment is made to the owner of the land or the mineral interest. The rate of royalty tax withholding is estimated by the company at the time of payment of the royalty. Any royalty tax portion that has not been withheld by the mining company and paid to the state is due July 15 of the year following the year of the royalty. Usually the mining companies pay the royalty tax quarterly at the time royalties are paid to the owner of the land or mineral interest.

The rate of taconite and iron ore royalty taxes is equal to the effective occupation tax rate for those lands on which mining activity is occurring. The royalty tax rate is applied to the amount of the royalty payment by the company to the land or mineral interest owner. For the taconite royalty tax the rate is usually 6.75 percent, due to the manner in which the taconite occupation tax labor credit is calculated. For iron ore royalty taxes the royalty tax rate varies for each mine and adjustments are usually necessary from one year to the next to compensate for withholding too much or too little in iron ore royalty taxes.

If no mining activity occurs on land leased by a company the royalty tax rate is equal to the total occupation tax rates for taconite (15%) and iron ore (15.5%).

The copper-nickel royalty tax rate is one percent of royalties paid. Although there is no copper-nickel mining activity in the state at the current time the state does collect a small amount of copper-nickel royalty taxes each year.

All proceeds from royalty taxes received by the state are deposited in the general fund. Table IX is a summary of royalty taxes for the fiscal year collection period from 1965-1976. As the table shows, taconite royalty taxes have risen fivefold in the twelve years while iron ore taxes have not risen at all, and in fact, in fiscal 1976 dropped dramatically. The fiscal year 1976 drop in iron ore royalty taxes tends to point out the volatility of iron ore production compared to the much more stable taconite production in Minnesota.

Because of the withholding nature of the royalty taxes and the uncertainty about the royalty tax rate each year, the royalty tax liability for a calendar year (such as 1974) and the actual collections for the subsequent fiscal year (1975) sometimes bear little relationship to one another. Table X, which compares calendar year royalty tax liabilities with the subsequent fiscal year collections shows that at times the figures do not agree very closely.

Table IX

Summary of Annual Royalty Taxes  
By Collection Period 1965-1976 Fiscal Years

<u>Fiscal Year</u>	<u>Iron Ore Royalty Taxes</u>	<u>Taconite Royalty Taxes</u>	<u>Copper-Nickel Royalty Taxes</u>	<u>Total Royalty Taxes</u>
1965	\$1,462,000	\$ 489,000	\$ -0-	\$1,951,000
1966	1,554,000	883,000	-0-	2,437,000
1967	1,739,000	647,000	-0-	2,386,000
1968	1,191,000	694,000	4,000	1,889,000
1969	919,000	660,000	8,000	1,587,000
1970	\$ 933,000	\$ 755,000	\$3,000	\$1,691,000
1971	853,000	792,000	3,000	1,648,000
1972	905,000	928,000	8,000	1,841,000
1973	421,000	2,509,000	2,000	2,932,000
1974	1,429,000	1,953,000	2,000	3,384,000
1975	\$1,532,000	\$2,356,000	\$2,000	\$3,890,000
1976	735,000	2,766,000	2,000	3,503,000

Table X  
Summary of Royalty Tax Collections and  
Liabilities for Production Years 1970-1975

Calendar Year/Fiscal Year	Fiscal Year Collections (000)	Calendar Year Liability (000)	Calendar Year Tons Produced (000)	Calendar Year Liability Per Ton (cents)
1970/71				
Iron Ore Royalty	\$ 852	\$ 966	21,172	4.56¢
Taconite Royalty	792	787	35,348	2.23
Copper-Nickel Royalty	<u>3</u>	<u>3</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$1,647	\$1,756	56,520	3.11¢
1971/72				
Iron Ore Royalty	\$ 905	\$ 705	17,530	4.02¢
Taconite Royalty	928	1,323	33,778	3.92
Copper-Nickel Royalty	<u>8</u>	<u>3</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$1,841	\$2,031	51,308	3.96¢
1972/73				
Iron Ore Royalty	-\$ 421	\$ 904	14,439	6.26¢
Taconite Royalty	2,477	1,402	34,554	4.06
Copper-Nickel Royalty	<u>2</u>	<u>2</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$2,900	\$2,308	48,993	4.71¢
1973/74				
Iron Ore Royalty	\$1,429	\$1,289	17,941	7.18¢
Taconite Royalty	1,960	1,886	41,829	4.51
Copper-Nickel Royalty	<u>2</u>	<u>2</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$3,391	\$3,177	59,770	5.32¢
1974/75				
Iron Ore Royalty	\$1,532	\$1,351	17,654	7.65¢
Taconite Royalty	2,356	1,994	41,053	4.86
Copper-Nickel Royalty	<u>2</u>	<u>2</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$3,890	\$3,347	58,707	5.70¢
1975/76				
Iron Ore Royalty	\$ 735	\$ 998	10,258	9.73¢
Taconite Royalty	2,766	2,657	40,809	6.51
Copper-Nickel	<u>2</u>	<u>2</u>	<u>-0-</u>	<u>-</u>
Total Royalty	\$3,503	\$3,657	51,067	7.16¢

## V COMMENTS AND PROJECTIONS FOR THE FUTURE

### Taconite Production Tax

Table XI is a projection of taconite production taxes to the production year 1979. If the assumptions listed in table XI are correct, the taconite production tax will almost double its current collections by the 1979 production year if no changes are made in the structure of the tax or in the plans of the taconite companies. Very little of this increase in collections will accrue to the general fund of the State of Minnesota as is shown by Table XII, which is projected distribution of the taconite production tax assuming that the figures in table XI are accurate projections of future taconite production taxes. It appears from table XII that the taconite municipal aid account will grow substantially from the 1975 production year (\$3.4 million) to the 1979 production year (\$8.9 million). This growth will be the result of the increasing additional tax rate and the increased share of the additional tax which will go to the taconite municipal aid account.

Tables XI and XII show that the three parts of the taconite production tax are separate both in calculation of the tax and in terms of distribution of the proceeds. The attempt was made in the 1975 legislature to revise the taconite production tax so that it consisted of only two tax rates with the distribution of the proceeds being made on a cents per ton basis. This proposal was not passed by the legislature. The current taconite production tax is made up of three different rates with six different sections to the three rates, and wholesale price index escalators which have different bases for two of the rates.

The projected increases in taconite production activity make it very likely that taconite taxation will receive increased attention in the next few years. The resulting increased local distributions will make the iron range communities much more aware of the taconite tax situation. This increased interest may result in changes in the taconite production tax. These changes could be of the type which would consolidate the taconite production tax into a single tax with perhaps only two tax rates, or the changes could be like those made by the 1975 legislature where another tax was merely added to the existing taconite production tax structure.

### Taconite Occupation Tax

Table XIII is a projection of the Minnesota taconite occupation tax collections through production year 1979. The table shows that if the assumptions are correct the taconite occupation tax collections will approximately double from production year 1975 to 1979. Most of the proceeds from this increase in collections will accrue to the state general fund.

Currently 5 percent of the taconite occupation tax goes to the IRRRC, 10 percent goes to the University of Minnesota and 40 percent goes to the elementary and secondary schools by statute. However, the funds from the taconite occupation tax are not necessarily transferred to the University of Minnesota and secondary and elementary schools. The current practice is to appropriate monies for secondary and elementary education and the University of Minnesota, and then to state that the required amount came from occupation tax collections.

#### Iron Ore Occupation Tax

Table XIV shows the projected iron ore occupation tax collections through production year 1979. The table shows that iron ore production is projected to gradually decline to 7 million tons by production year 1979. The projections are based on the amount of unmined iron ore remaining in northern Minnesota, along with estimates of activity by each company in the iron ore mining business. The iron ore occupation tax collections will remain relatively stable through the production year 1979 because of the offset of declining iron ore tonnage and rising values for iron ore. It should be noted that the possibility exists that the decline in iron ore tonnage in Minnesota will accelerate in the early 1980's when several iron ore mines will be exhausted or nearly exhausted of natural ore. It is not inconceivable that by 1985 iron ore mining in Minnesota will have ceased. However, the activity of taconite mining will probably more than make up for the disappearance of iron ore mining in northeast Minnesota.

#### Royalty Taxes

Table XV shows the projected royalty taxes for iron ore and taconite through production year 1979. As can be seen, taconite royalty taxes are projected to increase to \$5.1 million by 1979 from the 1975 level of \$2.7 million.



Table XI

Actual 1974-75 and Estimated Taconite Production Tax (1976-79)  
Based on Projected Capacity of All Plants

	<u>1973</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Merchantable tonnage	41,053,287	40,808,917	40,574,591	46,500,000	51,000,000	63,200,000
<u>Basic Tax</u>						
Rate	.115	.115	.115	.115	.115	.115
Basic Collections	\$ 4,721,128	\$ 4,693,026	\$ 4,666,077	\$ 5,348,000	\$ 5,865,000	\$ 7,268,000
Iron Ore Rate	.0094	.0093	.0091	.0094	.0094	.0094
Iron Content	\$ 386,690	\$ 380,825	\$ 369,229	\$ 437,000	\$ 479,000	\$ 594,000
Wholesale Price Escalator (110 = base)	.046	.072	.08	.09	.10	.111
Wholesale Price Collections	\$ 1,888,451	\$ 2,938,244	\$ 3,247,720	\$ 4,189,000	\$ 5,105,000	\$ 7,021,000
Total Basic Rate	.1704	.1963	.2041	.2145	.2245	.2355
Total Basic Collections	\$ 6,996,269	\$ 8,012,094	\$ 8,283,026	\$ 9,974,000	\$11,449,000	\$14,883,000
<u>Additional Tax</u>						
Additional Rate	.09	.10	.10	.12	.12	.14
Additional Collections	\$ 3,694,796	\$ 4,080,892	\$ 4,857,459	\$ 5,580,000	\$ 6,120,000	\$ 8,848,000
Wholesale Price Escalator (119 = base)	.037	.063	.071	.081	.091	.102
Wholesale Price Collections	\$ 1,518,972	\$ 2,570,961	\$ 2,880,795	\$ 3,766,500	4,641,000	6,446,000
Total Additional Tax Rate	.127	.163	.171	.201	.211	.242
Total Additional Tax Collections	\$ 5,213,768	\$ 6,651,853	\$ 6,938,255	\$ 9,346,000	\$10,761,000	\$15,294,000
<u>Second Additional Tax</u>						
Rate	-	.39	.39	.39	.39	.39
Total Collections	-	\$15,915,477	\$15,824,000	\$18,135,000	\$19,890,000	\$24,648,000
Total Production Tax Rate	.2974	.7491	.7651	.8055	1.8255	.8675
Total Production Tax Collections	\$12,210,037	\$30,579,424	\$31,045,371	\$37,455,000	\$42,700,000	\$54,825,000
Minus School Bond Credit	351,065	232,359	188,325	183,000	177,000	171,000
Net Production Tax Collections	\$11,858,972	\$30,347,065	\$30,857,046	\$37,272,000	\$41,922,000	\$54,653,000

- Assumptions
- 1) Wholesale Price Index will increase 5% per year from 1976 on.
  - 2) Tonnages based on anticipated capacity with new plants coming in as planned.
  - 3) Iron content of taconite will not appreciably change.

Table XII  
Distribution of Actual (1974-76) and Estimated (1977-79) Taconite Production Tax  
(Production Year - distributed in subsequent year)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<b><u>Basic Tax</u></b>						
State of Minnesota - General Fund	\$ 209,889	\$ 240,363	\$ 248,829	\$ 299,220	\$ 343,470	\$ 446,490
Taconite Property Tax Relief	2,937,182	3,428,172	3,629,161	4,429,780	5,129,030	6,734,010
Local Distribution - County	804,571	940,275	953,844	1,147,010	1,316,635	1,711,545
Municipal	804,571	936,394	943,934	1,147,010	1,316,635	1,711,545
School	1,888,994	2,234,535	2,238,095	2,692,920	3,091,230	4,018,410
School District Bonds <sup>1</sup>	\$ 351,065	\$ 232,359	\$ 188,325	\$ 183,000	\$ 177,000	\$ 171,000
Electric Power Plant <sup>2</sup>	81,729	81,633	80,837	75,000	75,000	80,000
<b>Total Basic Tax</b>	<b>\$6,996,272</b>	<b>\$ 8,012,094</b>	<b>\$ 8,283,025</b>	<b>\$ 9,974,000</b>	<b>\$11,449,000</b>	<b>\$14,883,000</b>
<b><u>Additional Tax</u></b>						
County Road & Bridge	\$ 579,308	\$ 591,524	\$ 592,273	\$ 778,522	\$ 896,391	\$ 1,091,992
IRRRB	579,308	665,186	693,825	778,522	896,391	1,091,992
Taconite Property Tax Relief	1,737,922	1,995,555	2,081,476	2,336,000	2,690,250	4,369,496
Taconite Municipal Aid	2,317,229	3,399,588	3,570,679	5,452,956	6,277,968	8,740,520
<b>Total Additional Tax</b>	<b>\$5,213,767</b>	<b>\$ 6,651,853</b>	<b>\$ 6,938,255</b>	<b>\$ 9,346,000</b>	<b>\$10,761,000</b>	<b>\$15,294,000</b>
<b><u>Second Additional Tax</u></b>						
County Distribution		\$ 2,830,892	\$ 2,807,458	\$ 4,650,000	\$ 5,100,000	\$ 6,320,000
Water Filtration		1,250,000	1,250,000	-	-	-
School District Distribution		8,161,783	8,114,918	9,300,000	10,200,000	12,640,000
IRRRB		408,089	405,746	465,000	510,000	632,000
Taconite Property Tax Relief		3,264,713	3,245,967	3,720,000	4,080,000	5,056,000
<b>Total Second Additional Tax</b>		<b>\$15,915,477</b>	<b>\$15,824,090</b>	<b>\$18,135,000</b>	<b>\$19,890,000</b>	<b>\$24,648,000</b>

Footnotes: 1) School district bonds, which companies have agreed to pay. Subtracted from taconite property tax relief.  
2) Distribution to Cook Co. and S.D. 166 due to providing of power for Erie Mining Co. concentrating plant.  
3) These amounts were appropriated to counties in 1975. Are now deducted from County distribution and retained by State.

Table XIII

Actual (1973-75) and Projected (1976-79) Taconite Occupation Tax Liabilities  
Based on the Average Market Values Per Ton of All Taconite Companies

<u>Production Year</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976 (tentative)</u>	<u>1977 (est.)</u>	<u>1978 (est.)</u>	<u>1979 (est.)</u>
Taconite Tonnage	41,829,345	41,053,287	40,808,917	40,574,591	46,500,000	51,000,000	63,200,000
Market Value	\$754,353,215	\$908,221,000	\$1,177,190,051	\$1,306,524,820	\$1,652,145,000	\$1,902,810,000	\$2,475,544,000
Market Value Per Ton	18.03	22.12	28.85	32.20	35.53	37.31	39.17
Non-Statutory Deductions	\$490,976,582	\$573,948,336	\$ 675,736,418	\$ 772,385,706	\$ 941,625,000	\$1,084,770,000	\$1,410,624,000
Deductions Per Ton	11.74	13.98	16.56	19.03	20.35	21.27	22.32
Statutory Deductions	\$162,230,000	\$184,460,077	\$ 226,166,556	\$ 288,713,236	\$ 330,615,000	\$ 380,460,000	\$ 494,856,000
Deductions Per Ton	3.88	4.49	5.54	7.11	7.11	7.46	7.83
Value of Ore For Tax	\$101,146,281	\$149,812,677	\$ 275,287,077	\$ 245,425,878	\$ 379,905,000	\$ 437,580,000	\$ 570,064,000
Value Per Ton	2.42	3.65	6.75	6.04	8.17	8.58	9.02
Basic Tax at 15.0%	\$ 15,171,942	\$ 22,471,901	\$ 41,293,061	\$ 41,805,101	\$ 56,986,000	\$ 65,637,000	\$ 85,509,000
Basic Tax Per Ton	.36	.55	1.10	1.03	1.22	1.29	1.35
Labor Credit	\$ 8,344,567	\$ 12,359,547	\$ 22,300,421	\$ 22,992,805	\$ 31,342,000	\$ 36,100,000	\$ 47,030,000
Labor Credit Per Ton	.20	.30	.55	.56	.67	.71	.74
Other Credits	\$ 3,206	\$ 16,596	\$ 37,589	\$ 58,181	-	-	-
Other Credits Per Ton	-	-	-	-	-	-	-
Net Taconite Occupation Tax	\$ 6,824,169	\$ 10,095,758	\$ 18,955,051	\$ 18,754,115	\$ 25,644,000	\$ 29,537,000	\$ 38,479,000
Net Tax Per Ton	.16	.25	.46	.46	.55	.58	.61

- 1976-79 Assumptions:
- 1) 5% increase per year in market value per ton.
  - 2) Deductions are assumed to total 77% of market value.
  - 3) Labor credit per ton is 55% of basic tax per ton.
  - 4) Tonnage figures based on projected taconite production capacity in the years shown + estimated demand.

Table XIV

Actual (1973-75) and Projected (1976-79) Iron Ore Occupation Tax Liability  
Based on Average Market Values Per Ton of All companies

	1973	1974	1975	1976 (tentative)	1977 (est.)	1978 (est.)	1979 (est.)
Iron Ore Tonnage	17,941,113	17,653,668	10,257,996	9,494,230	8,600,000	6,600,000	6,600,000
Market Value	\$221,468,390	\$269,864,123	\$187,663,527	\$188,231,573	\$182,148,000	\$146,718,000	\$154,110,000
Market Value Per Ton	12.34	15.29	18.29	19.83	21.18	22.23	23.35
Non-Statutory Deductions	\$101,986,585	\$130,207,426	\$90,023,490	\$86,579,706	\$83,764,000	\$67,518,000	\$70,884,000
Deductions Per Ton	5.68	7.38	8.78	9.12	9.74	10.23	10.74
Statutory Deductions	\$58,899,894	\$75,932,942	\$65,167,259	\$58,767,952	\$58,308,000	\$46,926,000	\$49,302,000
Deductions Per Ton	3.28	4.30	6.35	6.19	6.78	7.11	7.47
Value of Ore for Tax	\$60,581,911	\$63,723,755	\$32,485,726	\$42,883,915	\$40,076,000	\$32,274,000	\$33,924,000
Value Per Ton	3.38	3.61	3.17	4.52	4.66	4.89	5.14
Basic Tax at 15.5%	\$9,390,197	\$10,223,726	\$5,399,012	\$6,922,753	\$6,211,000	\$5,002,000	\$5,258,000
Basic Tax Per Ton	0.52	0.58	0.53	.73	.72	.76	.79
Labor Credit	\$413,168	\$449,983	\$333,856	\$429,211	\$325,000	\$310,000	\$326,000
Labor Credit Per Ton	0.02	0.03	0.03	.05	.05	.05	.05
Other Credits	\$97,897	\$75,813	\$27,038	\$10,414	\$20,000	\$20,000	\$20,000
Other Credits Per Ton	0.01	-	-	-	-	-	-
Net Iron Ore Occupation Tax	\$8,879,132	\$9,697,932	\$5,038,117	\$6,483,128	\$5,806,000	\$4,672,000	\$4,912,000
Net Tax Per Ton	0.49	0.55	0.49	.68	.68	.71	.74

- 1976-79 Assumptions:
- 1) 5% Increase per year in Market Value Per Ton.  
Deductions assumed to total 78% of market value.
  - 2) Labor Credit will be 6.2% of Basic Tax.  
Other Credits will be \$50,000 per year.

Table XV

Estimated Royalty Tax Collections by Production  
 Year for 1976-79 based on tax per ton  
 Estimated Liability

	<u>1975</u> (actual)	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Tonnage					
Iron Ore	10,258,000	9,494,230	8,600,000	6,600,000	6,600,000
Taconite	40,809,000	40,574,591	46,500,000	51,000,000	63,200,000
Per Ton (cents)					
Iron Ore	9.73¢	10.22¢	10.73¢	11.27¢	11.83¢
Taconite	6.51	6.84	7.18	7.54	7.92
Estimated Royalty					
Tax Liability					
Iron Ore	\$ 998,000	\$ 970,000	\$ 923,000	\$ 744,000	\$ 781,000
Taconite	2,657,000	2,775,000	3,339,000	3,845,000	5,005,000
TOTAL	\$ 3,655,000	\$ 3,745,000	\$ 4,262,000	\$ 4,589,000	\$ 5,786,000

## Assumptions:

- 1) 5 percent per year increase in ore ore and taconite royalty tax per ton.
- 2) Iron Ore tonnages based on industry projections.

## VI. SUMMARY

Table XVI shows that collections from taconite production, occupation, and royalty taxes are projected to reach \$100 million by production year 1979. Because of the large amounts of money involved, it would seem likely that the structure of mining taxation in Minnesota will undergo careful scrutiny as will the disposition of funds collected by such taxation. It is hoped that figures such as those presented here will help initiate discussion of various problems in the taxation of the mining industry and the related problem of the distribution of tax proceeds so that future mining tax issues may be addressed before they become problems.

Table XVI

Projection of Taconite Production Taxes, Occupation Taxes,  
and Royalty Taxes to Production Year 1979

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>Production Tax</u> Taconite	\$30,347,000	\$30,857,046 <sup>c</sup>	\$37,272,000	\$41,922,000	\$54,653,000
<u>Occupation Tax</u> Taconite	\$18,955,000	\$18,754,115 <sup>b</sup>	\$25,644,000	\$29,537,000	\$38,479,000
Iron Ore	5,038,000	6,483,128	5,806,000	4,672,000	4,912,000
<u>Royalty Tax</u> Taconite	\$ 2,657,000	\$ 2,775,000 <sup>a</sup>	\$ 3,339,000	\$ 3,845,000	\$ 5,005,000
Iron Ore	<u>998,000</u>	<u>970,000</u>	<u>923,000</u>	<u>744,000</u>	<u>781,000</u>
<u>Total Above Taxes</u> Taconite	\$51,959,000	\$52,386,161	\$66,255,000	\$75,304,000	\$98,137,000
Iron Ore	6,036,000	7,453,128	6,729,000	5,416,000	5,693,000

- a) Estimate  
b) Tentative  
c) Actual