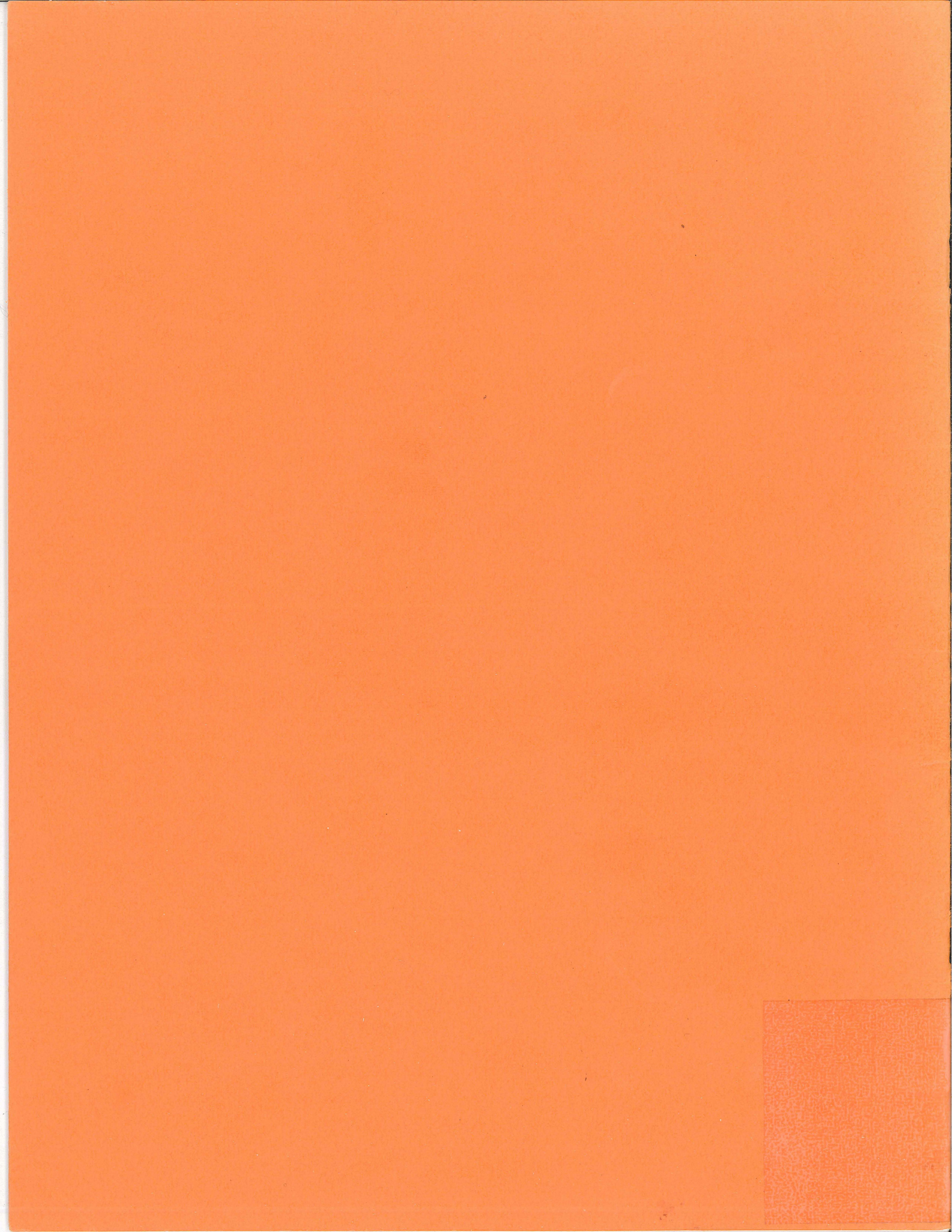


Minnesota Mining Tax Guide

July 1978

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Centennial Office Building
St. Paul, MN. 55145
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Introduction

This tax guide is intended to serve as a quick reference to Minnesota's mining tax structure as it exists today. This publication essentially updates a previous publication entitled "The Mining Tax Structure in Minnesota," revised April, 1977.



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THE IRON ORE AND TACONITE MINING INDUSTRY IN MINNESOTA

The iron ore mining industry in Minnesota is approximately 100 years old and is found exclusively in the northeastern part of the state. (See map, page 2). While J. G. Norwood noted the existence of iron formations at Gunflint Lake and Lake Vermillion in the early 1850's, it wasn't until 1865 that the first important discovery of iron ore was made by Henry H. Eames, Minnesota State Geologist. In 1884, after a railroad line had been built from Tower to Two Harbors, that the first lake cargo of iron ore was shipped. The first shipments of ore were from the Soudan mine in the Vermillion Range. Development of the Mesabi Range began in the early 1890's by the Merritt Brothers. Production in the Cuyuna Range did not begin until 1911.

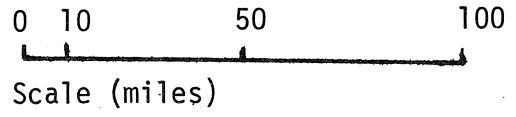
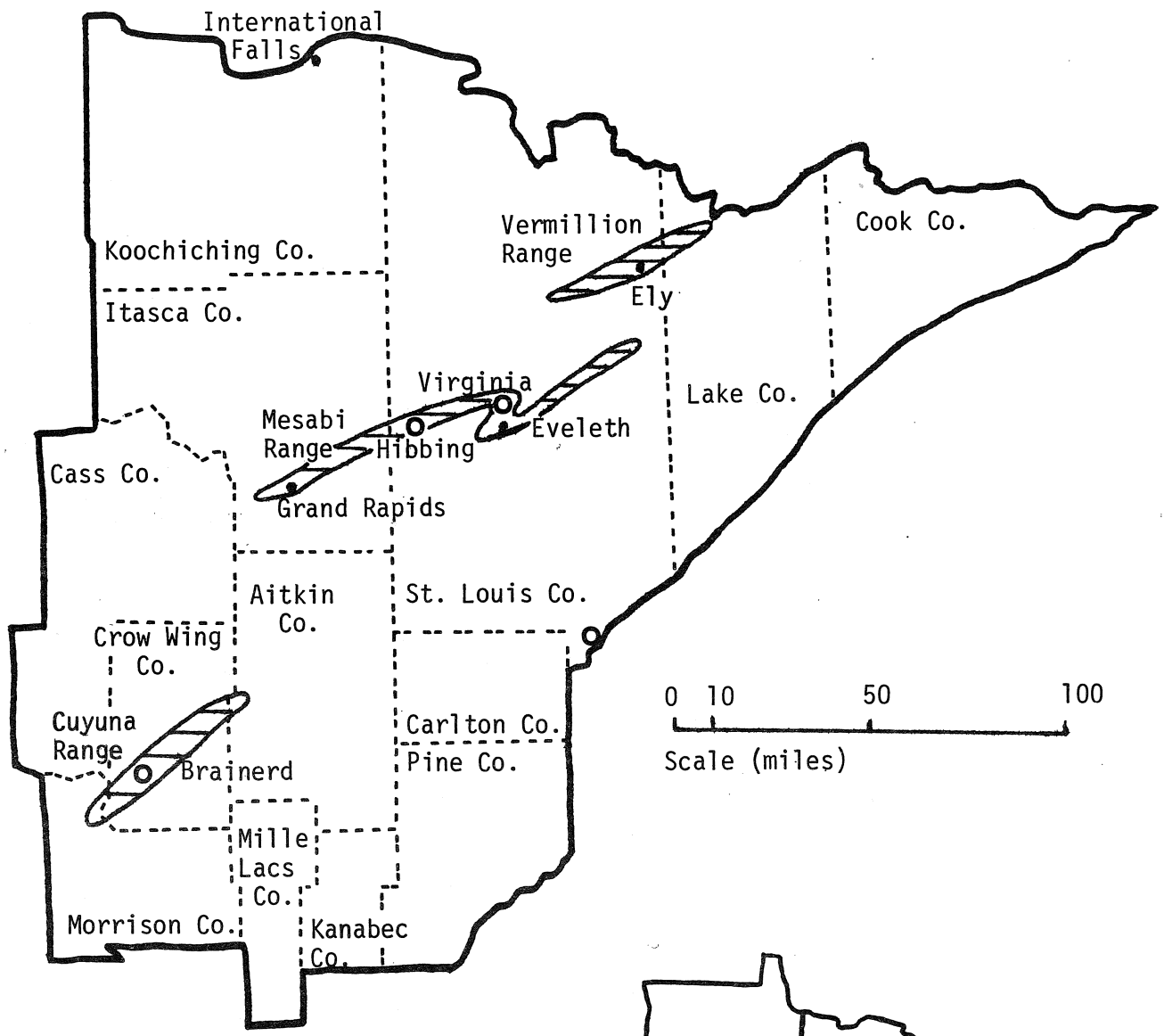
By 1900 Minnesota's mining industry had an annual production of 9,465,000 tons. Many of the early iron ore mining operations were underground. However, it was not long before most of the larger operations switched to open pit mining using steam shovels and rail hauls from the pits. These were later replaced by electric shovels and diesel and electric locomotives and trucks.

The shift in Minnesota's mining industry from iron ore to an emphasis on taconite production began in the later 1940's and early 1950's. The shift in emphasis to taconite production is shown in the following table.

Table 1. The Changing Structure of Minnesota's
Iron ore Mining Industry

Year	Total Production (000's of Tons)	Percent of Total	
		Iron Ore	Taconite
1950	65,235	99.9%	0.1%
1955	67,893	98.0	2.0
1960	57,425	76.7	23.3
1965	52,466	63.8	36.2
1970	56,520	37.5	62.5
1975	51,067	20.1	79.9

Minnesota's share of total U. S. production has been consistently greater than 60 percent, generally falling in the 60 to 70 percent range. While Minnesota's share of total U. S. production has remained steady, Minnesota's share of total world production has been steadily declining. In 1950 Minnesota's mining industry produced over 25 percent of the total world production of iron ore and taconite. By 1960 this had dropped to just over 11 percent and in 1975 was just under 6 percent. During this period world production has been growing dramatically while Minnesota production (and U. S. production) has been declining.



Minnesota's Mining Industry
Iron Ore and Taconite Deposits

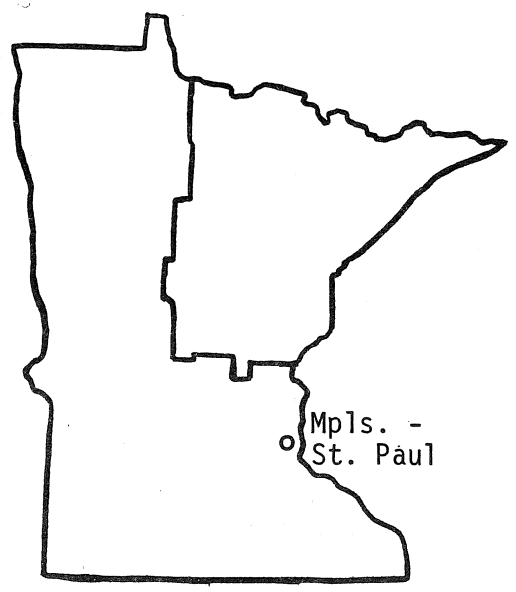


Table 2. Minnesota's Share of U. S. and World
Production of Iron Ore

<u>Year</u>	<u>Minnesota Production Tons (000's)</u>	<u>% $\frac{\text{Minn.}}{\text{U. S.}}$</u>	<u>U.S. Production Tons (000's)</u>	<u>% $\frac{\text{Minn.}}{\text{World}}$</u>	<u>World Production Tons (000,000's)</u>
1950	65,235	66.5%	98,045	26.4%	247
1955	67,893	65.9	103,003	18.7	363
1960	57,425	64.7	88,784	11.2	514
1965	52,466	60.0	87,439	8.6	611
1970	56,520	63.0	89,760	7.5	754
1975	51,067	64.8	78,866	5.8	880

Table 3. Iron Ore and Taconite Produced in Minnesota
1955-1977 (Thousands of Tons)

<u>Year</u>	<u>Iron Ore</u>	<u>Taconite</u>	<u>Total</u>
1955	66,545	1,348	67,893
1956	57,529	5,064	62,593
1957	61,304	6,811	68,115
1958	33,247	8,572	41,819
1959	27,578	8,417	35,995
1960	44,042	13,383	57,425
1961	30,458	13,182	43,640
1962	30,543	14,526	45,069
1963	28,682	16,701	45,383
1964	30,636	18,505	49,141
1965	33,462	19,004	52,466
1966	32,601	21,677	54,278
1967	25,480	24,311	49,791
1968	21,893	30,269	52,162
1969	22,511	31,125	53,636
1970	21,172	35,348	56,520
1971	17,530	33,778	51,308
1972	14,439	34,554	48,993
1973	17,941	41,829	59,770
1974	17,654	41,053	58,707
1975	10,258	40,809	51,067
1976	9,494	40,575	50,069
1977	4,647	26,372	31,019

OCCUPATION TAXES

IRON ORE OCCUPATION TAX

The Minnesota State Legislature initially passed legislation in 1921, which imposed a tax on the business of mining and producing iron ore and other ores in the state. This tax which was intended to be in lieu of income taxes is a tax on the "occupation" of mining. To distinguish the occupation tax from an income tax, certain costs such as: depletion, federal income taxes, legal fees, contributions and others, cannot be used as deductions in the computation of the occupation tax.

Initially in 1921, the occupation tax rate was set at 6 percent of the value of the iron ore. By 1941, the tax rate had increased to 10.5 percent. Between 1941 and 1959, the tax rate fluctuated, finally stabilizing at 12 percent. In 1971, during the second extra session of the legislature, the occupation tax on the mining and production of iron ore was increased to its present rate of 15.5 percent. This tax of 15.5 percent is based on the "Standardized Lake Erie Value" of all iron ore mined in the state. At the same time, the occupation tax on the mining and production of taconite, semi-taconite, and iron sulphides was set at 15 percent.

Since 1941, certain deductions and credits including a labor credit, have been allowed to encourage the utilization of low-grade, underground, high labor cost ores. Allowable deductions from market value include:

Statutory Deductions

1. Development Costs
2. Supplies and Labor Costs
3. Administrative Expenses
4. Depreciation
5. Royalties
6. Ad Valorem Taxes

Non-Statutory Deductions

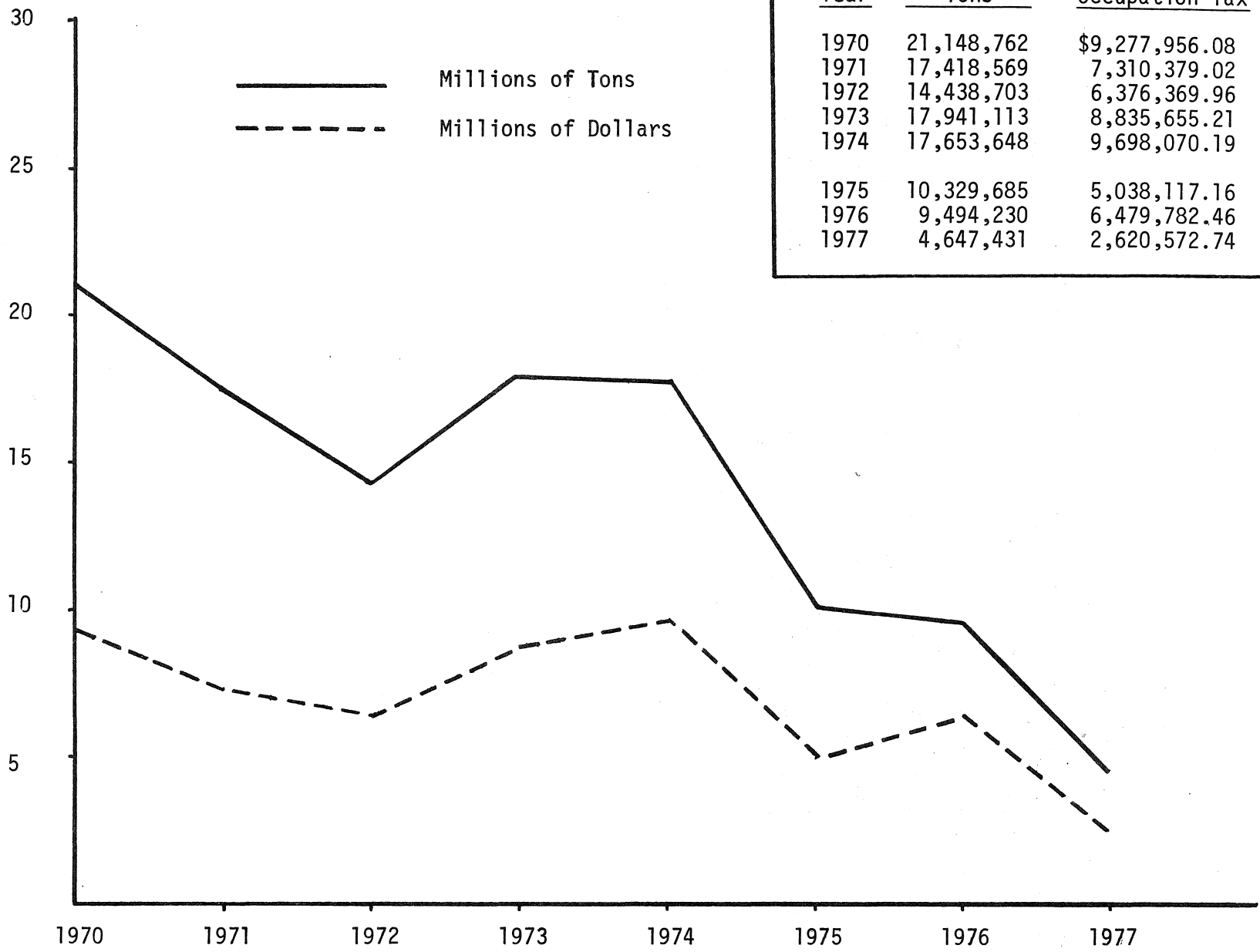
1. Stockpiling and Loading Costs
2. Beneficiation Costs
3. Transportation and Marketing Costs
4. Certain Miscellaneous Expenses

Credits

1. A portion of Labor Costs
2. Costs for Research, Experimentation, and Exploration
3. Mining Costs, exceeding the value of iron ore
4. Portions of certain other expenses

Natural Iron Ore Production
and Occupation Taxes

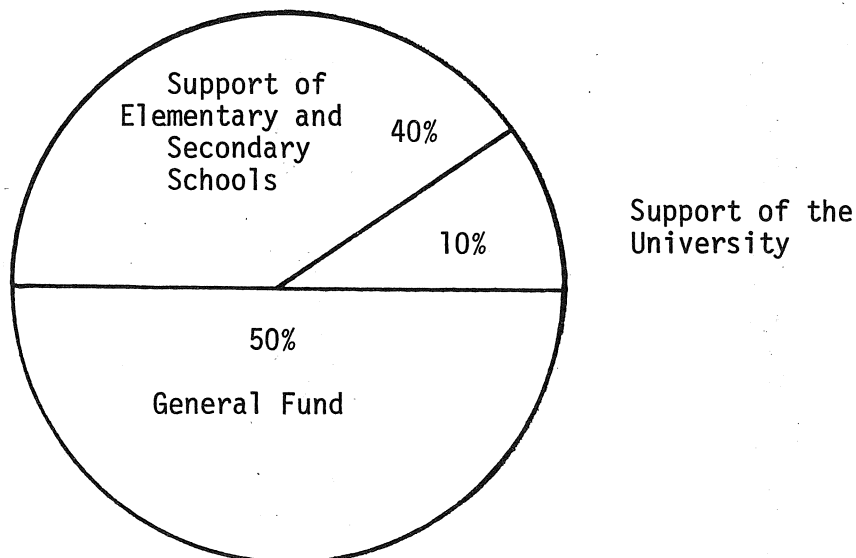
<u>Year</u>	<u>Tons</u>	<u>Occupation Tax</u>
1970	21,148,762	\$9,277,956.08
1971	17,418,569	7,310,379.02
1972	14,438,703	6,376,369.96
1973	17,941,113	8,835,655.21
1974	17,653,648	9,698,070.19
1975	10,329,685	5,038,117.16
1976	9,494,230	6,479,782.46
1977	4,647,431	2,620,572.74



Distribution of Revenues

The occupation tax revenues which are collected from the mining and production of iron ore are deposited in the state treasury and credited to the general fund with 40 percent of the revenue to be used for the support of elementary and secondary schools and 10 percent of the revenue to be used for the support of the university. Up through 1977, the Iron Range Resource and Rehabilitation Board had received an amount equal to 5 percent^{1/} of the occupation tax revenues derived from the mining production of iron ore. Beginning in 1978, the IRRRB will receive a fixed amount of \$1,252,520 equal to what it received in 1977 from the taconite and iron ore occupation taxes. These funds are now derived from the Taconite Production Tax.

Distribution of Natural Iron Ore Occupation Tax
and Taconite, Semi-Taconite,
and Iron Sulphides Occupation Tax



TACONITE, SEMI-TACONITE, AND IRON SULPHIDES OCCUPATION TAX

A separate occupation tax on the mining and production of taconite, semi-taconite, and iron sulphides was passed in 1971. Up until that time taconite, semi-taconite, and iron sulphides were subject to the general occupation tax on the mining and production of iron ore and other ores in the state. When this separate tax was passed, the initial rate was set at 15 percent and has remained at that level. The distribution of the revenue derived from the Taconite Occupation Tax is the same as the distribution for the Iron Ore Occupation Tax; all of the revenue is credited to the general fund with 40 percent to be used for the general support of elementary and secondary schools and 10 percent to be used for the general support of the University.

1. From 1942 until 1969, the IRRRB received 10 percent of the occupation taxes on all ores and from 1969 to 1977 it received 5%.

Table 4. Taconite Occupation Tax Collections
in Minnesota, 1955-1977

<u>Production Year</u>	<u>Taconite Tonnage (000's of Tons)</u>	<u>Taconite Occupation (000's of Dollars)</u>
1955	1,348	\$ 0
1956	5,064	0
1957	6,811	154
1958	8,572	161
1959	8,417	93
1960	13,383	\$ 638
1961	13,182	898
1962	14,526	1,108
1963	16,701	1,318
1964	18,505	1,211
1965	19,004	\$ 1,746
1966	21,677	1,824
1967	24,311	1,604
1968	30,269	1,822
1969	31,125	2,301
1970	35,348	\$ 3,177
1971	33,778	5,388
1972	34,554	3,664
1973	41,829	6,885
1974	41,053	10,235
1975	40,809	19,218
1976	40,575	18,270
1977	26,372	3,190

PRODUCTION TAXES

TACONITE PRODUCTION TAX

While there is currently no production tax on iron ore, there has been a production tax on taconite since 1941 when a tax of 5 cents per ton was adopted. This base tax was increased by an escalator equal to 0.1 cent per ton for each one percent that the iron content exceeded 55 percent. The proceeds from this tax were shared equally between the state, the counties, the school districts, and the cities and towns; each received 25 percent. Since its inception in 1941, the taconite production tax was undergone five major changes, either in the amount of the tax or in its distribution.

The first major change in the taconite production tax occurred in 1955 when the distribution of the tax was changed. The school districts were now to receive 50 percent of the proceeds. The counties received 22 percent, as did the cities and towns. The remaining 6 percent went to the state. Total production in 1955 was 1,348,000 tons which resulted in revenue totaling \$77,860.

The next major change in the taconite production tax occurred in 1969 when both the base tax and the distribution were changed. The base tax of 5 cents per ton plus the escalator based on the iron content remained unchanged until 1969 when the base tax was increased to 11.5 cents per ton with the same escalator based on the iron content and an additional escalator based on the wholesale price index. This second escalator was equal to 0.1 cent per ton for each point that the wholesale price index was above 110, using the 1957-1959 average as a base of 100. The distribution of the taconite production tax was also changed. The taconite property tax relief account was created by the same legislation and was now to share in the distribution of the taconite production tax. The taconite property tax relief account was to receive 47 percent of the proceeds of the tax; the state received 3 percent; the school districts now received 27 percent; and the counties and the cities and towns each received 11.5 percent. Each company was allowed to take a school bond payment credit up to two cents per ton, not to exceed the amount of school district bonds paid by the company.

The third major change in the taconite production tax occurred in 1971 when an additional tax was passed. The rates of the additional tax were set to vary depending on the year of production.

<u>Year</u>	<u>Additional Tax Rate</u>
1971	4 cents per ton
1972	7 cents per ton
1973-1974	9 cents per ton
1975-1976	10 cents per ton
1977-1978	12 cents per ton
1979 and on	14 cents per ton

The additional tax was increased by an escalator equal to 0.1 cents per ton for each point that the wholesale price index exceeded 119, using the 1957-1959 average as a base of 100. The additional tax was distributed according to the table shown below. Each fund also receives that portion of the wholesale price escalator which was equivalent to its portion of the additional tax. The figures shown below are cents per ton.

<u>Production Year</u>	<u>County Road and Bridge</u>	<u>IRRRB</u>	<u>Taconite Property Tax Relief</u>	<u>Taconite Municipal Aid</u>	<u>Total</u>
1971	0.5 cent	0.5 cent	1 cent	2 cents	4 cents
1972	1 cent	1 cent	2 cents	3 cents	7 cents
1973-1974	1 cent	1 cent	3 cents	4 cents	9 cents
1975-1976	1 cent	1 cent	3 cents	5 cents	10 cents
1977-1978	1 cent	1 cent	3 cents	7 cents	12 cents
1979 and on	1 cent	1 cent	4 cents	8 cents	14 cents

The fourth major change in the taconite production tax occurred in 1975 when a second additional tax on taconite production was passed. The rate of the second additional tax was set at 39 cents per ton. The distribution of the second additional tax was as follows:

1. A distribution of 10 cents per ton to the county in which the taconite is mined or quarried or in which the concentrate is produced, 40 percent to the location of mining and quarrying and 60 percent to the location of the concentrating operation. From this distribution a distribution of one cent per ton is made to any county containing an electric generating plant which supplies power to a taconite plant in another county. (For 1976 and 1977, the 10 cent per ton county distribution was reduced by \$1.25 million each year for those counties that received money the \$2.5 million appropriation for filtering Lake Superior drinking water with the amount deducted from each county's aids equal to the amount appropriated to the county.)
2. A distribution of 20 cents per ton to a group of school districts. All school districts which received taconite occupation tax aids in 1975 would receive this aid amount first. The remainder of the funds would be distributed to the school districts in which taconite was mined, quarried, or concentrated, to those districts containing property eligible for taconite homestead credit. The remaining amount would 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.
3. A distribution of one cent per ton to the IRRRC.
4. A distribution of 8 cents per ton to the taconite property tax relief account.

The last major change in the taconite production tax occurred in 1977 when the two additional taxes were repealed and the basic tax was increased to \$1.25 per ton of merchantable iron ore concentrate produced in 1977. For 1978 and beyond, the basic rate of \$1.25 will be increased by the rate of growth in the steel mills price index for January of the production year.

For example:

$$1978 \text{ tax rate} = \$1.25 \times \frac{\text{Jan. 1978 Steel Mills Price Index}}{\text{Jan. 1977 Steel Mills Price Index}}$$

The adjusted basic rate described above will also be increased by 1.6% for each one percent that the iron content exceeds 62 percent.

In an effort to stabilize production tax revenues, the production tax is based on a three year average of production or the current year production, whichever is greater. This provision for averaging production is effective starting with the 1977 production year.

The proceeds of the taconite production tax are distributed as follows (all figures are cents per ton):

Taconite Cities and Town		2.5 cents
Taconite Municipal Aid Account		12.5 cents
School Districts		29.0 cents
Taconite Schools	6 cents	
School Districts that Qualify for the Taconite Homestead Credit in Proportion to their Levies. (see note 1)	23 cents	
Counties		19.5 cents
Taconite Counties (see note 2)	15.5 cents ⁴	
Taconite County Road and Bridge Fund	4 cents ⁴	
Taconite Property Tax Relief Account (see note 3)		25.75 cents ⁴
The State		1 cent
Iron Range Resources and Rehabilitation Board		3 cents

Note 1: Each school district receives the amount which it was entitled to receive in 1975 from the taconite occupation tax. The remainder is then distributed to the school districts in direct proportion to school district tax levies.

Note 2: If an electric power plant owned by and providing the primary source of power for a taconite plant is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent of the 15.5 cents per ton shall be distributed to the county in which the power plant is located.

Note 3: If an electric power plant owned by and providing the primary source of power for a taconite plant is located in a county other than the county in which the mining and the concentrating processes are conducted, .75 cents of the 25.75 cents per ton shall be distributed to the county and school district in which the power plant is located with 25 percent going to the county and 75 percent to the school district.

Note 4: These amounts will be increased in 1979 and subsequent years by the rate of growth in the steel mills price index.

In addition to the above distribution, additional amounts will be distributed as follows:

- a) In 1978 and each year thereafter, there will be distributed to each city, town, school district, and county the amount that they received in 1977 from the distribution of the gross earnings tax on taconite railroads. Amount - \$3,160,899.
- b) In 1978 and each year thereafter, there will be distributed to the Iron Range Resources and Rehabilitation Board the amount it received in 1977 from the distribution of the taconite and iron ore occupation taxes. Amount - \$1,252,520.
- c) In 1978 and each year thereafter, the Department of Revenue shall receive \$50,000 for auditing and enforcing the taconite production tax.
- d) In 1978 and 1979, the Department of Revenue shall receive \$150,000 for the purpose of administering section 298.48 mineral rights; exploration data; filing requirements; penalties. In 1980 and each year thereafter, \$100,000 shall be distributed to the Department of Revenue.

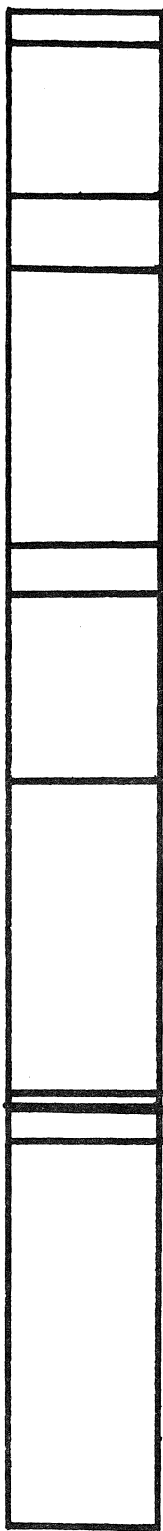
All proceeds from the taconite production tax which remain after the above distributions shall be divided between the taconite environmental protection fund and the northeast Minnesota economic protection fund. In 1978-1982, the taconite environmental protection fund will receive two-thirds and the northeast Minnesota economic protection fund, one-third. In 1983 and each year thereafter, each fund will receive one-half of the remaining funds.

Beginning in 1979, the Range Association of Municipalities and Schools will receive 0.2 cents per ton of the production tax. The distribution to the Taconite Municipal Aid Account, which was originally to receive 12.5 cents per ton, will be reduced by the same amount.

Semi-Taconite Production Tax

In 1959, the Minnesota legislature imposed a tax on the production of semi-taconite. For concentrates agglomerated or sintered in Minnesota, the tax was set at 5 cents per gross ton plus 0.1 cents per gross ton for each 1 percent that the iron content exceeds 55 percent when dried at 212 degrees fahrenheit. For other concentrates, the tax was set at 10 cents per gross ton plus 0.1 cents per gross ton for each 0.5 percent that the iron content exceeds 55 percent, when dried at 212 degrees fahrenheit. Presently, no firms are engaged in the production of semi-taconite and subsequently no taxes are being collected.

Distribution of Taconite Production Tax
Based on \$1.25 per Ton
(cents per ton)



2.5¢	Cities or Towns	
12.5¢	Taconite Municipal Aid Account	
6.0¢	School Districts	
23.0¢	School Fund	
* 4.0¢	County Road and Bridge Fund	
*15.5¢	Counties	* These amounts, as well as the \$1.25 base tax, are increased in the same proportion as the steel mill products index. (The base tax is also subject to an increase based on the iron content for each firm).
*25.75¢	Taconite Property Tax Relief Account	
1.0¢	State of Minnesota	
3.0¢	Iron Range Resources and Rehabilitation Board	
Residual		
Fixed Distributions:		
\$3,160,899	Distribution to counties, cities, towns, and school districts	
\$1,252,520	Iron Range Resources and Rehabilitation Board	
\$ 200,000	Department of Revenue	
Remainder		
One-Third	Northeast Minnesota Economic Protection Fund	
Two-Thirds	Taconite Environmental Protection Fund	

Table 5. Taconite Production Tax Paid
Production Years 1974-1977

	<u>Total All Mines</u>			
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Taxable Tons	41,053,287	40,808,917	40,574,591	37,758,679 ^{1/}
<u>Basic Tax</u>				
Rate	\$.115	\$.115	\$.115	\$ 1.25
Collections	4,721,128	4,693,026	4,666,078	47,198,349
Iron Content Rate	.0094	.00933	.00914	.045
Collections	386,831	380,825	370,981	1,681,488
W.P.I. Escalator Rate	.046	.072	.080	.00
Collections	1,888,451	2,938,244	3,245,967	0.00
Total Basic Rate	.1704	.19633	.20414	1.295
Collections	6,996,410	8,012,094	8,283,026	48,879,837
<u>Additional Tax</u>				
Rate	\$.09	\$.10	\$.10	
Collections	3,694,796	4,080,892	4,057,459	Repealed
W.P.I. Escalator Rate	.037	.063	.071	
Collections	1,518,972	2,570,961	2,889,796	Repealed
Total Add. Tax Rate	.127	.163	.171	
Collections	5,213,768	6,651,853	6,938,255	Repealed
<u>Second Additional Tax</u>				
Second Add. Tax Rate	.00	\$.39	\$.39	
Collections	0.00	15,915,477	15,824,090	Repealed
<u>Total Production Tax</u>				
Rate	\$.2974	\$.74933	\$.76514	\$ 1.295
Collections ^{2/}	11,953,849	30,347,065	30,857,046	48,879,837

1. For 1974-1976, Taxable Tons is equal to production tonnage. For 1977, total production was 26,371,588 tons.
2. 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 6. Summary of Taconite Production Tax Distribution

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
State of Minnesota	\$ 209,888	\$ 240,363	\$ 248,829	\$ 377,587
Taconite Property Tax Relief	4,675,104	8,688,442	8,956,605	9,485,076
Taconite Municipal Aid Account	2,323,393	3,399,588	3,570,679	4,719,835
IRRRB Account	579,307	1,073,275	1,099,571	2,007,694
Department of Revenue	0	0	0	200,000
Taconite Environ. Protect. Fund	0	0	0	6,162,466
N.E. Minn. Economic Protect. Fund	0	0	0	3,081,233
 Counties				
St. Louis County	\$ 641,173	\$ 2,840,990	\$ 2,875,975	\$ 4,682,420
Itasca County	55,860	324,429	326,341	368,884
Lake County	109,063	512,143	486,720	713,394
Cook County	20,433	93,605	92,477	104,142
St. Louis Co. Road & Bridge	\$ 441,386	\$ 441,386	\$ 441,386	\$ 1,231,050
Itasca Co. Road & Bridge	39,857	43,079	45,125	95,196
Lake Co. Road & Bridge	78,498	93,479	92,172	184,102
Cook Co. Road & Bridge	13,404	13,580	13,591	0
 Cities and Townships				
Fayal Twp.	\$ 0	\$ 0	\$ 1,401	\$ 3,769
Great Scott Twp.	18,779	20,422	8,059	18,244
Lone Pine Twp.	4,462	4,144	4,567	3,942
McDavitt Twp.	21,063	24,894	30,180	27,466
Greenway Twp.	11,886	30,860	7,003	20,713
Missabe Mtn. Twp.	1,327	1,649	1,052	969
Nashwauk Twp.	13,553	11,736	13,596	11,908
Stuntz Twp.	42,969	50,635	56,723	92,607
White Twp.	51,099	59,147	46,108	26,092
Wouri Twp.	0	0	0	5,811

Table 6. Summary of Taconite Production Tax Distribution

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Cities and Townships				
Aurora	\$ 0	\$ 0	\$ 8,528	\$ 4,183
Hibbing	0	0	2,876	21,502
Keewatin	13,175	12,238	13,487	11,640
Mountain Iron	229,680	263,789	274,646	248,380
Nashwauk	12,784	11,875	13,087	11,295
Babbitt	111,786	128,395	128,118	120,600
Hoyt Lakes	145,930	168,449	179,481	168,321
Silver Bay	109,063	126,480	125,313	115,063
Eveleth	16,611	15,898	20,420	24,052
Virginia	3,306	6,778	9,293	6,392
School Districts ^{1/}				
S.D. 710 St. Louis Unorg.	\$ 47,450	\$ 571,842	\$ 591,360	\$ 610,865
S.D. 316 Coleraine	89,066	557,981	490,147	536,377
S.D. 319 Nashwauk	69,646	243,105	248,628	272,892
S.D. 701 Hibbing	73,322	1,020,908	1,061,896	1,201,588
S.D. 706 Virginia	7,762	683,862	657,192	686,442
S.D. 697 Eveleth	42,116	282,727	322,145	337,929
S.D. 694 Buhl	44,090	158,397	124,539	179,484
S.D. 692 Babbitt	262,453	476,728	455,907	445,919
S.D. 693 Biwabik	95,840	300,435	293,345	251,714
S.D. 381 Lake Co.	256,062	684,015	681,128	705,341
S.D. 703 Mountain Iron	539,248	910,671	967,763	924,970
S.D. 691 Aurora	366,750	778,147	765,369	811,975
S.D. 699 Gilbert	0	124,894	128,849	139,452
S.D. 318 Grand Rapids	0	1,484,708	1,483,341	1,614,314
S.D. 708 Tower	0	173,485	187,854	201,513
S.D. 696 Ely	0	230,211	225,021	238,090
S.D. 695 Chisholm	0	317,171	285,952	312,164
S.D. 182 Crosby	0	436,030	449,317	457,958
S.D. 1 Aitkin	0	474,011	490,715	505,536
S.D. 166 Cook Co.	61,298	280,336	243,665	282,735
S.D. 317 Deer River	0	254,654	259,501	283,615

Table 6. Summary of Taconite Production Tax Distribution

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Filtration Fund	\$ 0	\$ 1,250,000	\$ 1,250,000	\$ 0
Total	<u>\$11,951,942</u>	<u>\$30,347,066</u>	<u>\$30,857,046</u>	<u>\$48,879,837²</u>

1. In 1977, taconite schools received 6 cents per ton with an additional 23 cents per ton going to a school fund. The school fund was then distributed to those school districts that qualify for the taconite home-stead credit in proportion to their levies. Each school district first receives the amount which it was entitled to receive in 1975 from the taconite occupation tax. The remainder is then distributed to the school districts in direct proportion to the school district tax levies.
2. Total for 1977 does not include adjustments to taxes due or paid for prior years.

Table 7. Taconite Production and Tax Revenues
for Production Year 1977 by Firm

Firm	1977 Production (Tons)	1977 Taxable Tonnage ^{1/}	Tax Rate ^{2/}	Production Tax Revenue ^{3/}
Butler Taconite Reserve	1,686,590	2,172,449	\$1.3302	\$ 2,889,791.66
U.S.S.-Minntac	5,033,248	8,600,530	1.2552	10,795,385.26
Oglebay Norton-Eveleth	7,428,136	10,638,787	1.3110	13,945,428.34
Inland Steel Co.	2,572,909	2,572,909	1.3182	3,391,608.64
Erie Mining Co.	232,457	232,457	1.3528	314,467.83
Hibbing Taconite	4,646,451	8,769,750	1.3022	11,419,968.45
National Steel	2,150,170	2,150,170	1.3264	2,851,985.49
	2,621,627	2,621,627	1.3192	3,458,450.34
Total	26,371,588	37,758,679	\$1.2950	\$49,067,086.01

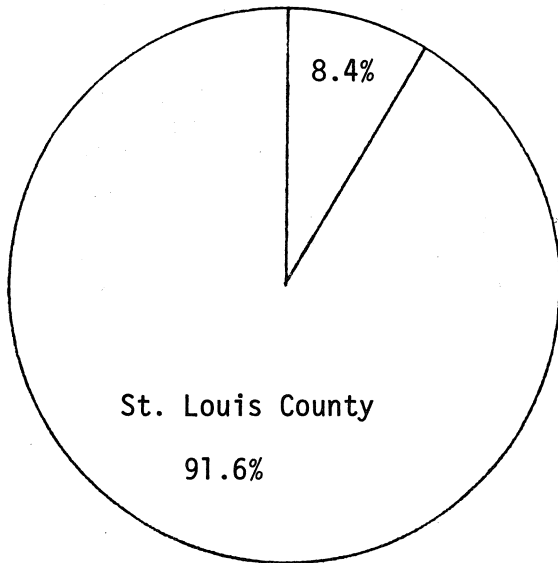
1. 1977 taxable tonnage is the larger of the 1977 actual production or the average production for the last three years.
2. The actual tax rate for each firm is based on the price increase in the steel mill products price index and the iron content of the pellets produced by the firm.
3. Production tax revenue includes fines but does not include credits for overpayments in previous years or any other adjustments.

Taconite Mining and Concentrating Activity
and Revenue Distribution, By County
1977 PRODUCTION YEAR

TOTAL PRODUCTION 26,371,588 Tons
TAXABLE TONS 37,758,679 Tons
REVENUE \$48,879,837

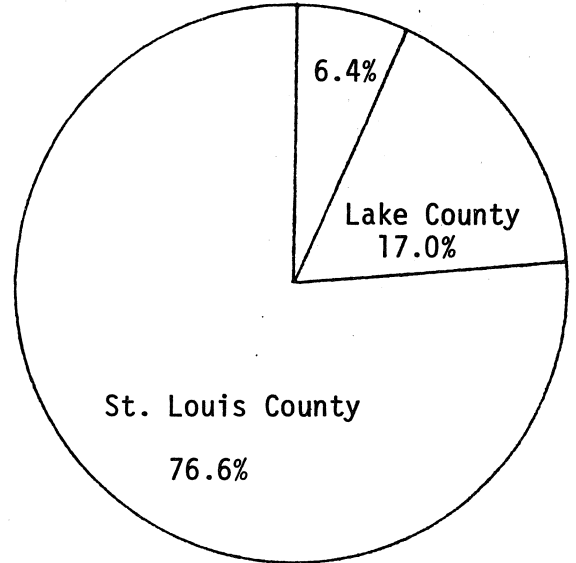
A. Mining Activity

Itasca County



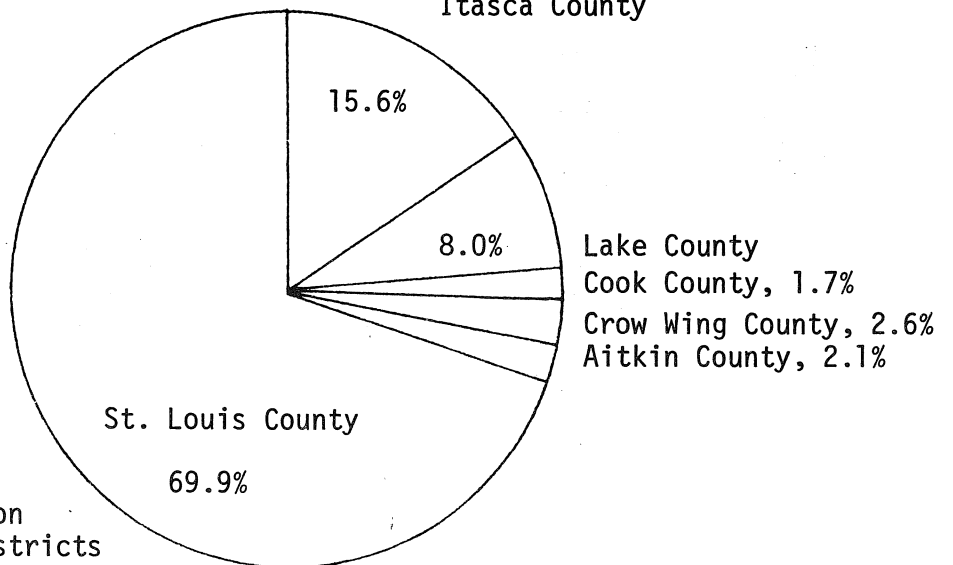
B. Concentrating Activity

Itasca County



C. Revenue Distribution ^{1/}

Itasca County



^{1/} Includes direct distribution to the counties, school districts and municipalities, plus the distribution of the School Fund and the Taconite Municipal Aid Account.

Royalty Taxes

In 1923, the Minnesota legislature passed a royalty tax law providing for a 6 percent tax on any royalties received. Since that time, the gross tax rate has exactly followed the occupation tax rates. Up until 1959, no labor credits were allowed. The intent of the 1923 law was that the receiver of the royalties would pay the tax, but because of the unusual terms of mining leases, the courts have ruled that the leasee was responsible for payment of the tax. Presently, all royalty taxes are collected from the leasee.

The present tax on the royalties received in connection with the exploration and mining of taconite and semi-taconite is 15 percent. A credit which reduces the effective tax rate to the effective tax rate for occupation taxes is allowed for taconite, semi-taconite and iron sulphide royalty taxes on land that is being mined. The tax on the royalties received in connection with the exploration and mining of iron ore is 15.5 percent. All royalty tax revenue is deposited in the general fund and is not earmarked for any specific distribution.

Table 8. TACONITE AND IRON ORE ROYALTY TAX LIABILITIES
FOR PRODUCTION YEARS 1970-1976

Year	Iron Ore Production (000's of Tons)	Iron Ore Royalty (000's)	Taconite Production (000's of Tons)	Taconite Royalty (000's)	Total Revenue (000's)
1970	21,172	\$ 966	35,348	\$ 787	\$1,753
1971	17,530	705	33,778	1,323	2,028
1972	14,439	904	34,554	1,402	2,306
1973	17,941	1,289	41,829	1,886	3,175
1974	17,654	1,351	41,053	1,994	3,345
1975	10,258	\$ 998	40,809	\$2,657	\$3,655
1976	9,494	NA	40,575	NA	3,527
1977	4,647	NA	26,372	NA	NA

Tax on Unmined Iron Ore or Iron Sulphides

Each taxing district may assess a tax on unmined iron ore or iron sulphides which shall not exceed \$10 per acre. The tax may be assessed in any year in which at least 1,000 tons of iron ore concentrate is not produced from any 40 acre tract or government lot containing taconite or iron sulphides. The tax is assessed at the prevailing mill rate and spread against the assessed value of the taconite or iron sulphides. Prior to 1977 the tax was limited to \$1 per acre. This tax results in no direct revenue to the state.

Tax on Severed Mineral Interests

Severed mineral interests are subject to local property taxation and constitute class 1b. Severed mineral interests are taxed at a rate of \$.25 per acre with a minimum annual tax of \$2. The taxes received are apportioned to the taxing districts in the same proportion as the surface interest mill rate of the taxing district is to the total surface interest mill rates in the area taxed. Twenty percent of the revenues from this tax are remitted to the state treasurer and deposited in the general fund in two special accounts, reservation residents loan accounts and non-reservation residents account. Loans may be made for the purpose of starting a business or expanding an existing business. The amount to be credited to each reservations loan account shall be the same percentage as the number of indians living on each reservation is to all indians living in Minnesota.

Taxes on Copper-Nickel Mining

A production tax has been in existence since 1967, but so far there has not been any production of copper-nickel ore against which to levy the tax.

Presently, the base production tax is 2.5 cents per gross ton plus 10 percent of the base tax for each 1 percent that the average copper-nickel content per gross ton exceeds 1 percent. This total is then subject to an increase proportional to any increase in the current year average monthly wholesale price index for all commodities over the 1967 monthly average. Revenue from this tax is distributed in the same way that the taconite production tax is distributed.

The occupation tax on copper-nickel mining is presently set at 1 percent of the value of the ore, with allowances for production costs and two allowable credits, one for research and another for experimentation and exploration. As with the production tax, the copper-nickel occupation tax is distributed in the same way as the taconite occupation tax; all of the revenue is credited to the general fund with 40 percent to be used for the general support of elementary and secondary schools and another 10 percent to be used for the general support of the university.

The present royalty tax is 1 percent of the royalties paid on copper-nickel leases plus 1 percent of the amounts paid on silver, gold, platinum, and other precious metals. Revenue from the royalty tax is credited to the general fund with no special distribution required.

Table 9. COPPER-NICKEL ROYALTY TAXES
PRODUCTION YEARS 1970-1976

<u>Year</u>	<u>Production</u>	<u>Royalty Tax Liability (000's)</u>
1970	-0-	\$3
1971	-0-	3
1972	-0-	2
1973	-0-	2
1974	-0-	2
1975	-0-	2
1976	-0-	2



