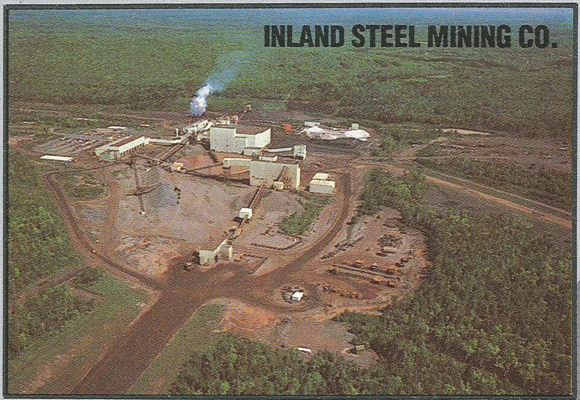
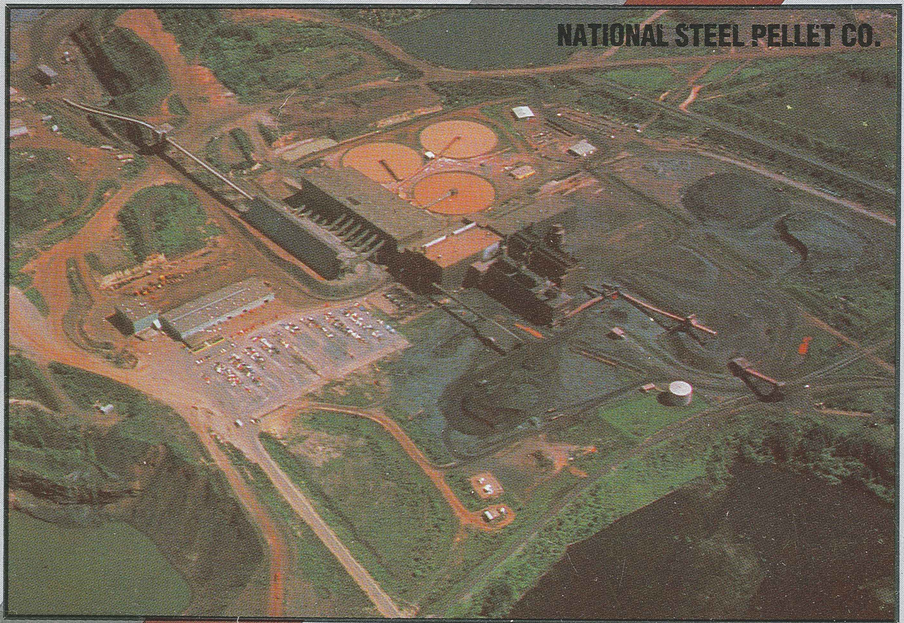
MINNESOTA

MINING TAX GUIDE



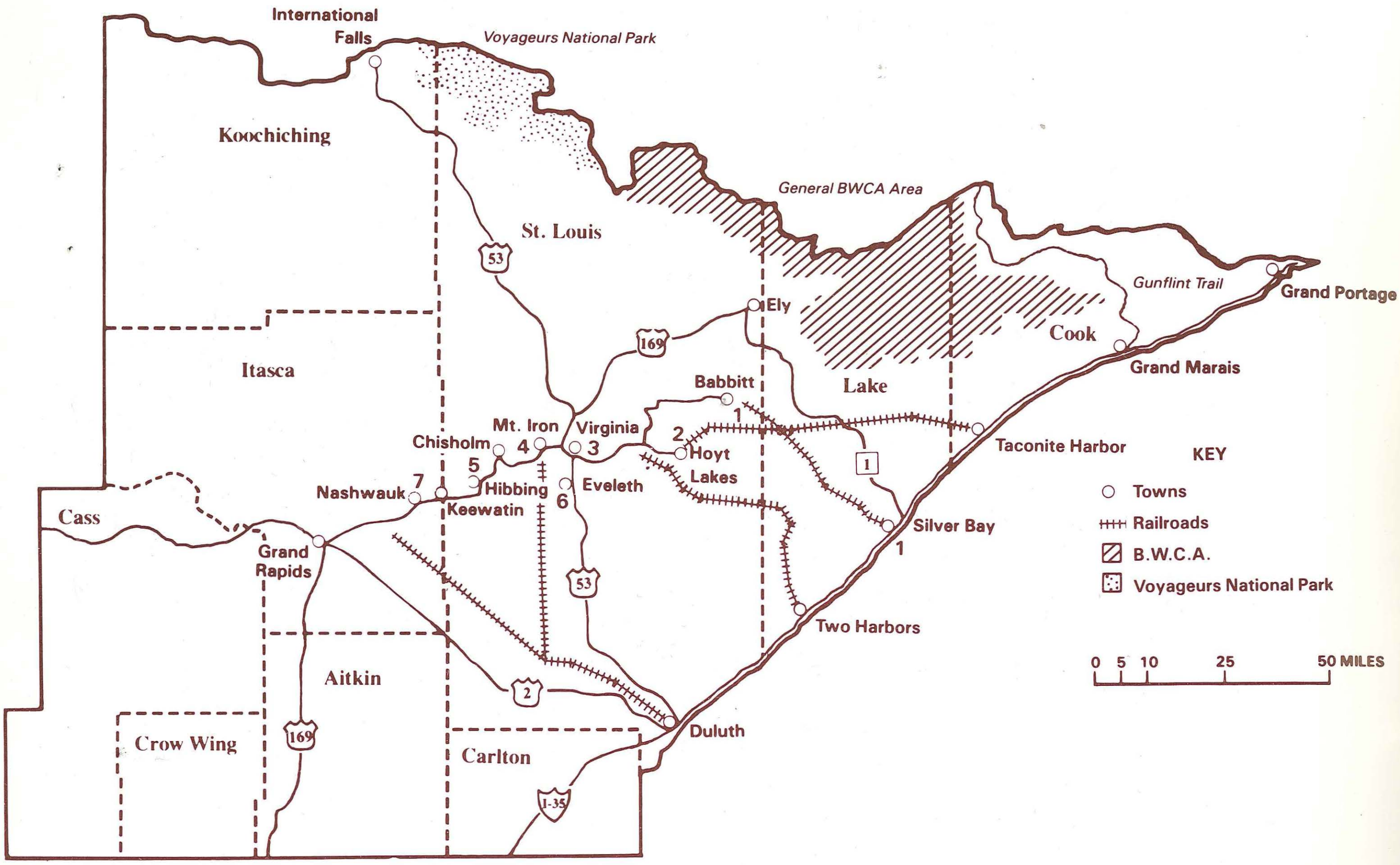


October
1990

DEPARTMENT OF REVENUE
Minerals Tax Division

MAP OF NORTHEASTERN MINNESOTA

TACONITE COMPANY LOCATIONS, OWNERSHIP AND GENERAL INFORMATION



	Effective Capacity (million tons)
1) CYPRUS NORTHSHORE MINING CORP. Owner: Cyprus Mineral Company (100%)	4.0
2) LTV STEEL MINING COMPANY[a] Pickands Mather Services, Inc., Managing Agent Owner: LTV Steel (100%)	8.0
3) MINORCA PLANT Owner: Inland Steel Mining Co. (100%)	2.5
4) MINNTAC PLANT Owner: USX Corporation (100%)	12.5
5) HIBBING TACONITE COMPANY Pickands Mather Services, Inc., Managing Agent Owners: Bethlehem Steel Co. (70.3%) Pickands Mather & Co. (15%) The Steel Company of Canada, Ltd. (14.7%)	8.1

	Effective Capacity (million tons)
6) EVELETH MINES* Oglebay Norton Co., Managing Agent Owners: Eveleth Taconite Company Rouge Steel Co. (85%) (31.7%) Oglebay Norton Co. (15%) (18.4%) Owners: Eveleth Expansion Company Virginia Horn Tac. (Armco) (56%) (35.1%) Ontario Eveleth Co. (Stelco) (23.5%) (14.8%) ONCO Eveleth Company (Oglebay Norton Company) (20.5%) (see above)	5.8
7) NATIONAL STEEL PELLET COMPANY Owner: National Steel Corp. (100%) National Steel Ownership: National Intergroup (30%) Nippon Kokan KK (70%)	4.7
TOTAL EFFECTIVE:	45.6

a LTV is continuing to operate LTV Steel Mining Company under Chapter 11 of the bankruptcy laws.

* The second percentage denotes the percentage of ownership of the total company.

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INTRODUCTION

OUTLOOK

According to recent newspaper articles, the outlook for the discovery and mining of minerals other than taconite (iron ore) have diminished from the optimism of the mid-1980's. In 1985, 239 bids to explore on state-owned land were made by 17 bidders. By 1989, this number had dropped to only 83 bids made by 10 bidders. During this four-year period, no new companies entered into the bidding on state-leased land for exploration and numerous exploration leases were not renewed. One note of optimism is the rumored development of known copper-nickel deposits which could lead to mining.

The Legislative Commission on Minerals is continuing to meet. The issues they will be dealing with are listed in the 1989 Minnesota Mining Tax Guide. The recommendations of this Commission will be considered by the 1991 state legislature.

TAX STUDY

Minnesota participated in a tax study by Whitney & Whitney of Reno, Nevada during 1989. The study was entitled: "Impact of State Taxation: A Study of Eighteen States", September, 1989.

As a result of law changes made by Minnesota between the 1985 Whitney and Whitney study and the 1989 study, Minnesota dropped from the highest-taxed state for mining in 1985, to an average of eighth or ninth out of 18 states in 1989.

TAX COMMISSION

In late 1989, the Governor initiated a Blue Ribbon Tax Commission on Mining. This commission was charged with reviewing *all* Minnesota taxes on the mining industry and making recommendations to the Governor on any reform necessary. This commission met until early March, 1990 and presented these recommendations to the Governor for consideration by the 1990 legislature:

Passed:
- Freeze the 1990 production rate at the 1989 level of $1.975 per taxable ton.
- Clarify the net proceeds tax, i.e.:
  1. All clays are exempt.
  2. Any reserve for reclamation costs after closure are not allowable as a deduction.

Not Passed (held over until the 1991 legislature):
- Clarify the exemption of underground mine shafts, supporting structures, and excavations from local property tax for other minerals.
- Eliminate the local property tax for the prior six years on newly discovered iron ore.
- Eliminate the requirement to multiply the present worth of a natural ore by three times for local property tax purposes.

The tax commission reconvened after the legislative session to review the sales tax and the production tax rate, escalator, and distribution.

Any recommendations will be submitted to the Governor in early 1991 for consideration by the 1991 legislature.

INDUSTRY AVERAGES

	1979	1983	1987	1989
Lake Erie Value:	$42.21	$56.49	$37.46	
Mine Value:			24.27	$24.42
Beneficiation Costs:	16.64	26.81	15.77	15.89
Mining Costs (incl. tax):	4.31	5.32	4.96	5.99
Production Tons (million):	55,333	25,173	32,109	39,882
Employment (thousands):	14,000	6,500	4,800	5,400

The Lake Erie Value as the starting point for occupation tax was changed to the Mine Value effective May 1, 1987. For 1987, the difference between the two values was the transportation allowance of $13.19.

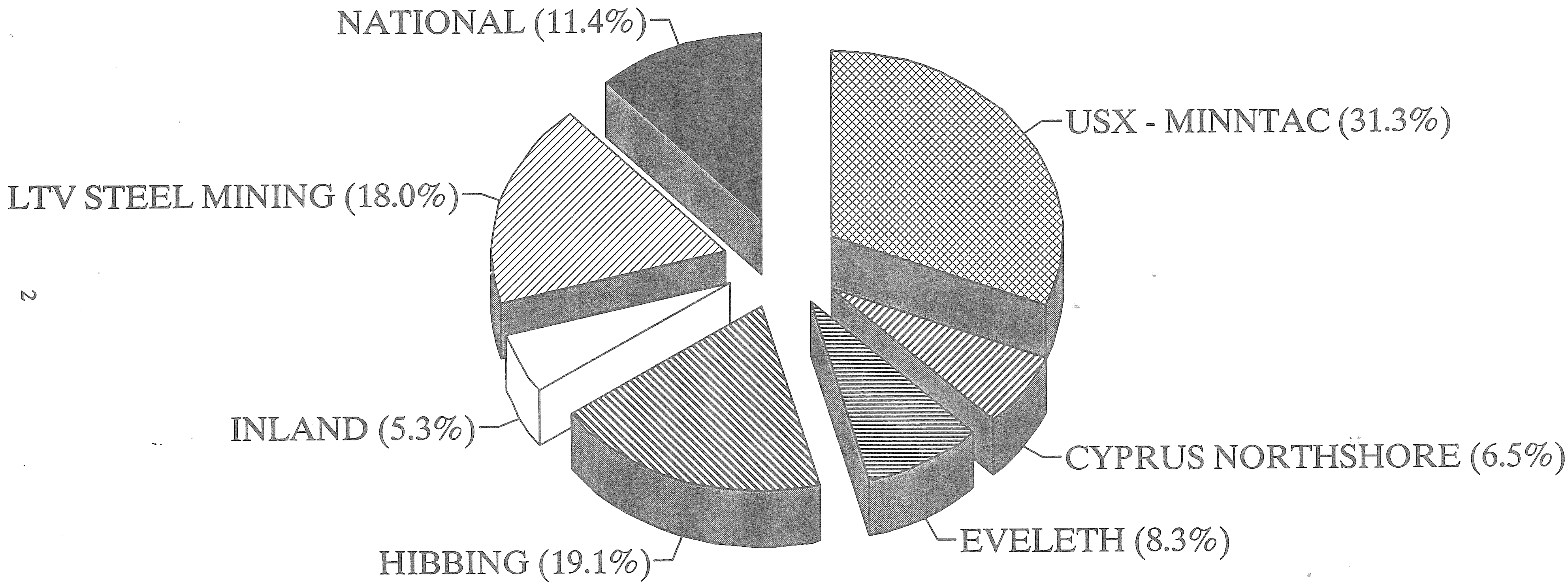
The variation in costs reflects the high fixed costs in taconite production, resulting in dramatic reductions in the production cost per ton when production increases significantly.

MINERALS TAX DIVISION

The Minerals Tax Division thanks those in each company who provided us with the pictures on the front and back cover.

In addition to writing and publishing this book and our normal audit and tax administration activities, over the past year we have been heavily involved in the new royalty withholding tax, developing forms and instructions for the modified occupation tax, and providing information requested by members of the Tax Commission on Mining.

ESTIMATED SHARE OF PRODUCTION
1990 PRODUCTION YEAR



ORIGINS OF MINNESOTA'S IRON ORES

INTRODUCTION

Geological study of Minnesota's rock formations provides some ideas regarding the origins of our state's iron ore deposits. To geologists, the rock layers, like a book's pages, reveal events occurring aeons ago. Different geological ages and events produced the ore found on Minnesota's iron ranges--the Vermilion Range represents the Early Precambrian age, while the Mesabi and Cuyuna Ranges represent the Middle Precambrian age. Precambrian time is the span of time between the origin of the earth and the development of invertebrate life preserved as fossils. Some deposits located in southeastern Minnesota have been mined but date back to a much later age, probably about 65 to 2 million years ago.

THE VERMILION RANGE (Early Precambrian)

The Early Precambrian ores of the Vermilion Range in the Ely and Tower-Soudan areas are old ores of a volcanic origin. Intense volcanic activity gave off iron, silicon (in the form of silica) and other elements through vents or fissures located beneath an ancient sea. When ideal chemical conditions occurred, the silica was precipitated as thin bands of chert, a fine crystallized quartz, and the iron was precipitated as thin bands of various iron minerals. The iron minerals were further concentrated over time through enrichment processes to become ore.

During this period, mountain ranges over northern Minnesota and Canada were produced by the sheer force exerted by the earth's upheaval. Evidence of past volcanic activity, or Ely Greenstone formations, can still be seen near Ely and between Virginia and Gilbert. Interesting pillow structures, formed when hot lava was suddenly cooled by water, can be observed in this gray-green rock. These rocks, some of the earth's oldest, are estimated to be approximately 2.7 billion years old.

There were eleven mines on the Vermilion Range and total production was nearly 95 million tons. In 1964, the last mine on this range was closed. Vermilion's largest mine, the Soudan, was sold by the United States Steel Corporation to the state for $1.00 provided that it become a state park. Today this mine, an underground site, is known as the Tower-Soudan State Park and is open to visitors. A large quantity of ore remains in this mine but the costs involved with an underground operation of this type are prohibitive.

THE MESABI RANGE (Middle Precambrian)

Mesabi, the Chippewa word for giant, holds the Biwabik Iron Formation. Ores of the Biwabik Formation are a sedimentary type of rock, called taconite, usually containing 25 percent to 30 percent iron. The iron formations were probably deposited in a marine basin with the iron minerals left near the shore of an ancient shallow sea. Although some debate exists regarding the source of the iron, it's certain that natural processes enriched these low-grade iron formations to form natural iron ores. Oxygen-rich alkaline groundwaters moving through faults and other cracks in the iron formation dissolved out much of the silica, leaving oxidized iron minerals like the blue or red hematite and the brown limonite, thus increasing the iron percentage from 25 to 30 percent to 50 to 55 percent or higher.

This enrichment process could have occurred as early as 1,700 to 1,600 million years ago or as late as the Cretaceous Period, between 130 and 65 millions years ago. This process appears to have taken place world-wide as all the world's iron formations--in Labrador, western Australia, Brazil, Venezuela, Africa, and Russia--are all about the same age as those in the Lake Superior region. Eventually, the oceans again covered the western interior of North America and most likely, the eastern shoreline of this ocean, or the Cretaceous sea was located in Minnesota.

The shoreline along the north edge of the Cretaceous bay, now the Mesabi Range, must have been rugged. Conglomerates consisting almost solely of hematite pebbles were found in several open pit iron ore mines. This conglomerate ore shows that hematite ore was formed previously in order to be broken up into pebbles, smoothed by wave and current action and then deposited in beds. The weathering that formed the high-grade natural ore from taconite rock probably occurred before 100 million years ago.

Minnesota likely had a subtropical climate partly due to the large, shallow and warm Cretaceous seas. Remains of Cretaceous vertebrates have been found. The skull of a marine crocodile was found on an open pit mine dump near Coleraine in 1967. Shark teeth have also been found near Keewatin and Coleraine indicating marine waters. Clam and snail shells, once abundant on dumps of the Judson Mine at Buhl, probably lived in the shallower, brackish lagoons near shore. Even a thin bed of coal existed in the Enterprise Mine in Virginia. After burying the old landscape beneath marine muds and silts, the Cretaceous seas retreated leaving North America dry.

Other geological periods occurred, including wide-spread glacial activity. As the glaciers retreated, large amounts of sand, gravel, and clay were left to form our present land surface. Few natural surface exposures awaited the discoverers of Minnesota's iron ores. The glacial debris, however, was easily removed by large shovels. Although there were several shallow underground mines on the Mesabi, the high-grade iron ore was soft and easily mined in open pits.

Since early mining days, 364 mines have produced ore from the Mesabi. The most famous pit of this range, the Hull-Rust-Mahoning, located near Hibbing, represents dozens of smaller mines merged over time into one large pit. More than 700,000,000 tons of iron ore were mined from this pit from 1893 to 1973. Although Minnesota's natural ore deposits are now almost exhausted, large reserves of taconite remain and it will take over 200 years to use up this supply.

Depletion of the high-grade natural ore reserves was recognized as early as 1918 by Edward W. Davis of the University of Minnesota's Mine Experiment Station. Davis compared the Mesabi to a slice of raisin cake. The raisins were the deposits of iron ore and the cake represented taconite. The Minnesota legislature provided critical funding to enable Davis to develop an effective method of concentrating the Mesabi's magnetic taconite. To further encourage the production of taconite, in 1941 the legislature also provided assurances that taconite would be taxed on a production, not reserve basis. The provisions of the taconite tax law enabled acquisition of the large reserves necessary for potential operations. The research of Dr. Davis proved successful and Erie and Reserve became Minnesota's first major taconite producers. Today, one of the Mesabi's newest plants, Hibbing Taconite, operates near the Hull-Rust-Mahoning pit.

THE CUYUNA RANGE (Middle Precambrian)

The Cuyuna Range has a unique name suggested by the wife of Cuyler Adams, a surveyor discovering ore in this area. The "Cuy" was from Cuyler, and the "Una" was the name of Cuyler's dog, his companion during his explorations. C. K. Leith from the University of Wisconsin used the name Cuyuna in a 1903 geological publication and this iron range acquired a name.

The origins of the Cuyuna and Mesabi Ranges are basically the same. Even though large open pit mining equipment was then available, some Cuyuna Range mines were underground operations. This was due in part to the steep dips of the folded iron formations of the Cuyuna. Open pit operations once located here are now flooded. During World War I, 32 mines were operating. Trommald, Riverton, Manganese, Cuyuna, Crosby and Ironton were villages founded near mines, but today only Crosby and Ironton survive as towns of moderate size.

The last surviving mine, the Algoma-Zeno, produced manganiferous iron ore. The Algoma-Zeno's last shipment from stockpiles of ore took place in 1984. Approximately 96 million metric tons of ore were produced from this range. About 167 land and mining companies searched for or produced ore on the Cuyuna. Although the range extends into Aitkin and Morrison counties, all ore came from Crow Wing County.

Ore still remains on the Cuyuna Range. Some of this iron ore contains five to ten percent manganese. Manganese is used as an alloying element in some steel products for improved strength and wear resistance. The most common application is in the mining industry for wear plates and in crushing and grinding. The U. S. Bureau of Mines Twin Cities Research Center is involved in two studies regarding Cuyuna Range manganese. One study is attempting the development of an economic method of producing manganese concentrates by physical beneficiation, while the other study is investigating the feasibility of in situ leaching of manganese ores. (See Minnesota Mineral Yearbook by James J. Hill, U. S. Department of the Interior, Bureau of Mines, 1988). The Cuyuna Range holds one of our nation's largest reserves of this mineral.

SOUTHEASTERN MINNESOTA

Southeastern Minnesota's "brown ores" located in Fillmore, Olmsted and Mower counties near the towns of Spring Valley, Chatfield, Etna and Ostrander have a different origin from the Precambrian ores. Although the origins of this ore have not been extensively studied, it is felt that concentration or enrichment of iron from rocks with low iron content was necessary here as with the Precambrian formations. Ore was mined in southeastern Minnesota from 1942 to 1968.

More than seven million metric tons of ore were removed from more than 50 mines ranging in size from small, thin pits in farm fields to much larger deposits of a few hundred thousand metric tons. The ore moved by truck to railroad cars and then to Missouri steel mills. Many of the fields were then restored to agricultural use.

FROM THE PAST TO THE FUTURE

The story of Minnesota's ores and the individuals involved in their development, past and present, provides an ongoing tale of epic proportions. For example, there is action as represented by the spectacular violence when long departed ancient seas were disrupted by intense volcanic activity. And there is the excitement of discovery as experienced by the early explorers of northern Minnesota. Then, there is pride as the efforts of immigrant miners help transform our nation into an industrial giant. Finally, there is hope that new discoveries or technologies will keep Minnesota's iron ranges competitive and still preserve our beautiful surroundings. Future issues of Minnesota Mining Tax Guides will provide overviews and samplings of mining's story.

Many thanks to Dr. Richard W. Ojakangas of the Geology Department at the University of Minnesota, Duluth, for use of the material found in the book, Minnesota's Geology by Richard W. Ojakangas and Charles L. Matsch, University of Minnesota Press, 1982. In highly-readable and interesting form, this book contains a wealth of information on the geological history of our state. Also presented is the background for a geological self-tour of the five different regions of Minnesota.

The shift in Minnesota's mining industry from iron ore to taconite began in the late 1940's and early 1950's. The shift 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	Percent of Total: Taconite	Total[1] Employment (000's)
1955	67,893	98.0	2.0	15.7
1960	57,425	76.7	23.3	16.6
1965	52,466	63.8	36.2	13.0
1970	56,520	37.5	62.5	13.3
1975	51,067	20.1	79.9	12.8
1980	45,280	4.9	95.1	13.8
1981	51,033	3.3	96.7	13.9
1982	24,234	3.3	96.7	7.7
1983	26,024	3.3	96.7	6.5
1984	36,538	2.3	97.7	7.4
1985	34,730	4.2	95.8	6.7
1986	26,573	4.2	95.8	5.4
1987	33,182	3.4	96.6	4.9
1988	40,198	1.8	98.2	5.5
1989	39,933	1.5	98.5	5.7
1990 Est.	38,600	1.5	98.5	5.7

Minnesota's share of total U.S. production has been consistently greater than 60 percent. Minnesota's share of total world production has been steadily declining. In 1950, Minnesota 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 1980, to 5.2 percent. It appears this new lower level may become permanent. Minnesota's share in 1988 exceeded four percent for the first time since 1985. With the opening of Cyprus Northshore Mining Corporation, formerly Reserve Mining Company, Minnesota may regain some of its lost market share.

TABLE 2
MINNESOTA'S SHARE OF U. S. AND WORLD PRODUCTION OF IRON ORE

Year	Minnesota[2] Production Tons (000's)	Minn. % U.S.	U.S.[3] Production Tons (000's)	Minn. % World	World[3] Production Tons (000,000's)
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	757
1975	51,036	64.8	78,866	5.8	888
1980	45,281	65.0	69,613	5.2	877
1981	51,033	69.7	73,174	6.0	845
1982	24,234	68.4	35,433	3.2	769
1983	26,024	69.3	37,562	3.6	728
1984	36,538	71.3	51,269	4.5*	816*
1985	34,730	71.2	48,751	4.1*	848*
1986	26,573	68.4	38,862	3.1*	855*
1987	33,182	70.9	46,816*	3.8*	876*
1988	40,198	71.0	56,606*	4.5*	902*
1989	39,933	69.1	57,772*	4.3*	928*

*Preliminary figures (world figures revised each year for previous five years)

Source of Information - 1) County Mine Inspection Reports (Table 1)
2) Minnesota Production Tax (taconite) and Occupation Tax (natural ore) Reports
3) American Iron Ore Association

TABLE 3

SUMMARY OF ALL TAX LIABILITIES FOR THE MINNESOTA MINING INDUSTRY (TACONITE AND IRON ORE)
Based on the Production for Calendar Year (000's)

TAX	1982	1983	1984	1985	1986	1987	1988	1989	1990 Est.
Ad Valorem-Unmined Natural Ore - (Year Assessed)	$ 3,545	$ 3,700	$ 3,326	$ 3,037	$ 2,626	$ 2,372	$ 1,242	$ 874	$ 650
Occupation-Taconite	3,348	7,386	29,915	9,907	6,234	5,356	2,993	350	2,000
-Natural Ore	719	499	442	394	343	789	294	145	100
Taconite Production	80,305	67,341	64,514	65,092	48,658	51,184	57,402	72,120	75,950
School Bonds	176	824	775	782	699	673	720	862	952
Railroad Gross Earnings-Taconite	1,354	926	1,678	1,985	1,671	1,405	1,397	N/A	N/A
Royalty-Taconite	4,093	2,821	4,564	3,576	2,436	1,959	2,540	2,646	N/A
-Natural Ore	619	445	536	454	208	352	179	244	N/A
Unmined Taconite (Year Assessed)	285	331	321	397	385	393	365	355	360
Sales & Use (Taconite Only)	7,828	5,765	7,110	6,477	4,890	5,287	8,352	11,113	11,000
TOTAL: (Taconite Only)	$ 97,389	$85,394	$108,879	$ 88,216	$ 64,973	$ 66,257	$73,769	$87,445	$90,262
TONS PRODUCED: (Taconite)	23,445	25,173	35,689	33,265	25,451	32,109	39,485*	39,330*	38,000*
TOTAL TAXES PAID ON PER TON BASE: (Taconite)	4.15	3.39	3.05	2.65	2.55	2.06	1.87	2.22	2.38

* Tons are without flux additive.
Shaded portions are taconite taxes only.

NOTE: Numbers may not add up due to rounding.

Total taxes per ton reached a peak in 1982. The tax rate per ton was abnormally high that year due to the effects of three-year averaging with only 23.4 million tons produced. During 1984, an agreement was negotiated to settle a series of court cases concerning mining taxes. As a result of this settlement, the legislature enacted various reforms and tax reductions which began to take effect in 1984. This, along with gradually increasing production, had the effect of lowering the tax rate through 1988. Effective rates increased in 1989 due to higher three-year average production and the effects of an escalator which applies to the production tax.

STATE TAXES LEVIED ON TACONITE
(1975 - 1990)

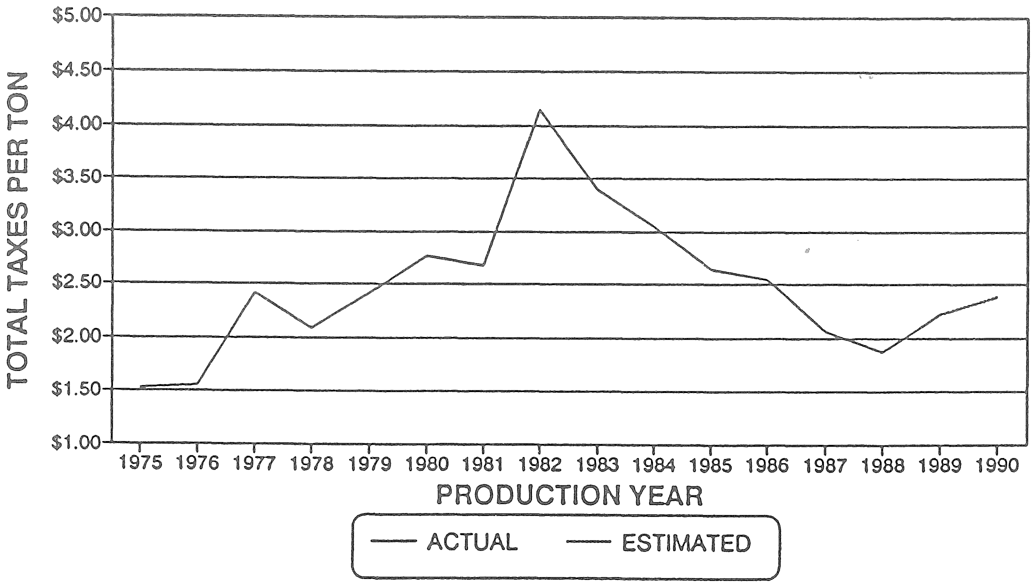
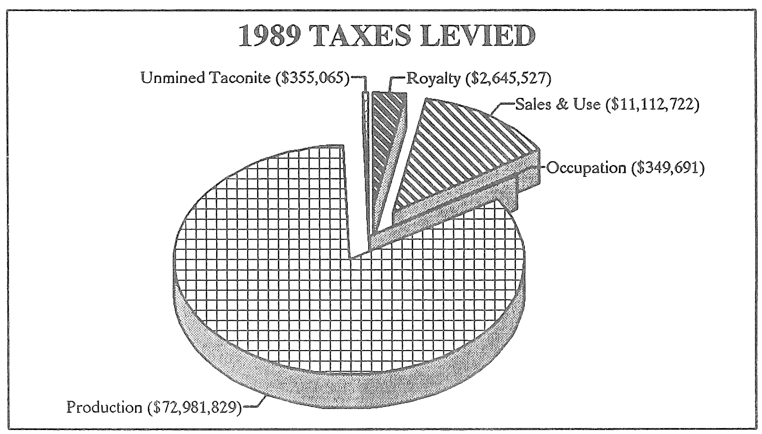


TABLE 4
MINNESOTA TAXES LEVIED ON TACONITE AND SEMI-TACONITE ONLY

Production Year	Unmined Taconite Tax	Sales & Use Tax	Production Tax	Occupation Tax	Royalty Tax	School Bonds	Railroad Gross Earnings Tax	Total Taxes	Total Tons Produced	Total Taxes Per Ton
1960	---	---	735,708	638,489	1,280,553	1,741,820	815,952	5,212,522	13,383,000	.39
1965	---	---	1,107,097	1,740,307	502,167	1,443,170	1,337,497	6,130,238	19,004,162	.32
1970	64,000	Not Avail.	4,252,668	3,161,186	787,108	1,346,642	1,768,702	11,380,306	35,347,844	.32
1975	64,000	7,214,111	30,347,066	18,955,051	2,657,458	193,905	3,072,496	62,504,087	40,808,917	1.53
1976	---	7,446,168	30,857,046	18,269,842	2,841,120	188,325	3,338,487	62,940,988	40,574,591	1.55
1977	---	7,375,115	48,757,124	3,190,408	2,626,141	182,745	1,509,773	63,641,306	26,371,588	2.41
1978	---	8,573,833	69,221,559	19,226,372	3,279,861	177,165	3,267,247	103,746,037	49,544,671	2.09
1979	239,748	12,590,482	88,483,670	23,856,757	4,775,352	165,726	3,634,407	133,746,142	55,333,032	2.42
1980	232,218	9,981,715	87,178,532	13,807,599	4,619,799	138,476	2,983,819	118,942,158	43,059,750	2.76
1981	240,064	9,797,691	99,018,289	12,707,553	5,392,864	183,267	4,960,605	132,300,333	49,368,518	2.68
1982	284,701	7,827,049	80,305,437	3,347,835	4,093,008	176,421	1,354,173	97,388,624	23,445,104	4.15
1983	330,969	5,765,048	67,341,038	7,385,782	2,821,421	824,083	926,207	85,394,548	25,173,262	3.39
1984	321,389	7,110,166	64,514,255	29,915,354	4,563,672	774,865	1,678,295	108,877,996	35,688,592	3.05
1985	396,669	6,476,570	65,091,787	9,906,688	3,576,000	782,076	1,985,441	88,215,231	33,264,701	2.65
1986	384,697	4,890,472	48,657,782	6,233,533	2,436,402	699,422	1,670,756	64,973,064	25,451,055	2.55
1987	392,614	5,286,947	51,184,126	5,355,872	1,959,251	673,000	1,404,961	66,256,771	32,043,049	2.07
1988	365,244	8,351,535	57,402,070	2,993,234	2,540,422	720,208	1,397,211	73,769,924	39,485,232	1.87
1989	355,065	11,112,722	72,119,707	349,691	2,645,527	862,122	**	87,444,834	39,330,197	2.22
1990 Est.	360,000	11,000,000	75,950,000	2,000,000	*	952,000	**	90,262,000	38,000,000	2.38

* Repealed effective after December 31, 1989.

** Repealed effective after December 31, 1988.



TACONITE PRODUCTION TAX

The Taconite Production Tax is a tax paid on concentrates or pellets produced by the various taconite companies. It is paid "in lieu of" ad valorem taxes and with some exceptions also excludes active lands and structures used in the production of taconite from the same ad valorem taxes. (Special ad valorem taxes are discussed in more detail on pages 37 and 38).

The taconite production tax rate for concentrates produced in 1988 was $1.90 per taxable ton. (Taxable tons are the average tonnage produced during the current and previous two production years). The taconite production tax rate for concentrates produced in 1989 was $1.975 per taxable ton. The 1989 tax rate was the 1988 rate escalated by the percentage increase in the Gross National Product Implicit Price Deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. The rate has been frozen at $1.975 for the 1990 production year.

The revenues from the production tax are distributed by statutory formulas to various cities, townships, counties, and school districts within the taconite tax relief area (the area is comprised of the present taconite mining area plus areas where natural ore was formerly mined). Funds are also allocated to the Iron Range Resources and Rehabilitation Board (I.R.R.R.B.) which administers the Taconite Environmental Protection Fund, Northeast Minnesota Economic Fund, and its own funds for use in the taconite tax relief area.

LEGISLATIVE CHANGES

The 1990 legislature made the following changes to take effect with the 1990 distribution:

1. Taconite referendum aid under M.S. 298.28, Subdivision 4, paragraph (d), was increased from $150 to $175 per pupil unit. The school districts are required to use this additional aid for special outcome-based learning programs approved by the Commissioner of Education. The local districts share of the funding was changed to 1.8 percent of net tax capacity. Under the old system, the local effort had been 1.75 mills.

2. New school bonds were approved to be paid in equal shares by the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Trust Fund. The new bonds authorized are listed as follows:

School	Aggregate Principal Not to Exceed	Percent of Payment
316-Coleraine	$ 950,000	80%
381-Lake Superior	$ 300,000	80%
695-Chisholm	$3,500,000	80%
696-Ely	$1,000,000	80%
697-Eveleth	$3,500,000	80%
699-Gilbert	$1,000,000	80%
707-Babbitt	$ 500,000	80%
710-St. Louis County	$1,750,000	100%

FLUX PELLETS

Fluxed pellets have limestone or other basic flux additives combined with the iron concentrates before pelletizing. Two companies, Inland Steel and USX, are producing fluxed pellets. Eveleth Mines is producing a partially fluxed pellet containing a low percentage of limestone additive. M.S. 298.24, Subd. 1, clause (e) allows the weight of flux added to be subtracted from the weight of pellets for production tax purposes. All tables in the Minnesota Mining Tax Guide with production statistics use an equivalent or calculated weight for fluxed pellets. The taxable weight is the natural weight less the weight of the flux. The weight of the flux is determined by a metallurgical calculation based on the analyses of the finished pellet, the concentrate, and the flux stone. Beginning with 1988, a flux credit was allowed against production tax.

Occupation tax is based on iron units and uses the full weight including flux.

A reconciliation of both tonnages and the weight of the flux is shown on Table 18.

DEFINITION OF TACONITE TAX RELIEF AREA

One common prerequisite exists for all taconite aids and grants--that is the recipient must be within the geographic confines of the taconite tax relief area. A taconite tax relief area is defined by statute (M.S. 273.134) as follows:

"Tax relief area" means the geographic area contained within the boundaries of a school district which contains a municipality which meets the following qualifications:

(1) It is a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property and in which, as of the applicable assessment date, the assessed valuation of unmined iron ore is not more than 60 percent of the assessed valuation of all real property; or

(2) It is a municipality in which, on January 1, 1977 or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualifies as a taconite facility.

DISTRIBUTION OF THE TACONITE PRODUCTION TAX

The taconite mining companies make the production tax payments directly to six counties (Cook, Lake, St. Louis, Itasca, Crow Wing, and Aitkin) and the I.R.R.R.B. The county auditor of each county is responsible for taconite aid payments to the taxing jurisdictions within the county. St. Louis County was designated as fiscal agent for the taconite property tax relief account and issues taconite property tax relief checks to the other five counties. The Department of Revenue makes all computations regarding the amount to be paid by the companies and the aid payments due to cities, schools, townships and counties. Interest earnings on undistributed funds are remitted by the counties to the I.R.R.R.B.

The proceeds of the 1989 taconite production tax (payable 1990) are distributed by statute as follows (<u>all figures are cents per taxable ton</u>):

M.S. 298.28, Subdivision 1.		
1. Taconite Cities and Town:		2.5
2. Taconite Municipal Aid Account:		12.3
3. School Districts -		
a. Taconite schools (mining and/or concentrating in the district):	5.5	
b. School districts that qualify for taconite for taconite homestead credit in proportion to their levies:	22.0	
Basic School District Total:		27.5
c. Taconite Referendum Fund:	(formula amount)	
4. Counties -		
a. Taconite Counties: (includes Electric Power Plant)	13.0*	
b. Taconite Counties Road/Bridge:	3.5*	
Counties Total:		16.5*
5. Taconite Property Tax Relief:		15.0**
6. I.R.R.R.B.:		3.0**
7. Range Assn. of Municipalities and Schools:		0.2
8. N.E. Minnesota Economic Protection Fund:		1.5**

* Beginning with the 1986 production year, the cents-per-ton distribution was frozen at 20.5-cents for the county fund and 5.5-cents for the county road and bridge fund. However, the actual distribution may be larger due to M.S. 298.225.

** These funds are escalated using the Gross National Product Implicit Price Deflator. After escalation, the cents-per-ton for Taconite Property Tax Relief was 26.0-cents, I.R.R.R.B. was 5.2-cents, and the N.E. Minnesota Economic Protection Fund was 2.6-cents.

DESCRIPTION OF FUNDS

1. <u>Taconite Cities and Towns</u>

Forty percent of this fund goes to those cities and townships in which mining activity occurs. The remaining 60 percent goes to those cities and townships in which the concentrating of the taconite occurs. (Note: This is done on a company-by-company basis). This split is determined either by a percentage of taconite reserves or a four-year average of production.

2. <u>Taconite Municipal Aid Account</u>

The Taconite Municipal Aid payment is made on September 15. Each city or township first receives the amount it was entitled to receive in 1975 from the occupation tax. This amout is then reduced according to the percentage aid guarantee provisions of M.S. 298.225. For example, if production levels mandate a 90 percent aid guarantee, then the occupation tax grandfather amount is also reduced to 90 percent. The remainder of the aid is distributed according to a complex formula using levies, valuation, and fiscal need factors. The conditions necessary for a municipality to qualify for this aid are identical to the qualifications for the 66 percent taconite property tax relief listed under part (5a) on this page. The statutory references governing Municipal Aid are M.S. 273.134, M.S. 298.28, Subd. 1, Clause 2, and M.S. 298.282.

3a. School District $.055 Fund

Each school district in which mining and/or concentrating occurs (split 40 and 60 percent to each respectively) receives an equitable portion of the mining aid and/or concentrating aid. This split is determined either by a percentage of taconite reserves or a four-year average of production.

b. School $.22 Fund

Each school district receives the amount which it was entitled to receive in 1975 from the taconite occupation tax. This amount may be reduced by the percentage aid guarantee provisions of M.S. 298.225. The remaining amount in the fund is distributed using an index based on pupil units and EARC values.

c. Taconite Referendum Fund

Taconite school districts qualify for an additional $175 per pupil unit over and above state aids by passing a special levy referendum equal to 1.8 percent of net tax capacity. The Taconite Referendum Fund pays the difference between the local levy and $175 per pupil unit. The payment is made on July 15 each year. The fund receives money based on the theoretically escalated portion of the 22-cent school fund. If any money remains in the fund, it is distributed to the Environmental Protection Fund (two-thirds) and the Northeast Minnesota Economic Protection Trust (one-third).

4a. Taconite Counties

Each county receives a portion of the aid in the same manner as (1) - Taconite Cities and Towns, less any amount distributed under 4b.

b. Electric Power Plant

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 concentrating processes are conducted, one-cent of the 13.0-cents-per-ton (for that company) shall be distributed to the county in which the power plant is located (this one-cent is not escalated).

c. Taconite Counties Road & Bridge

Each county receives a portion of the aid in the same manner as (1) Taconite Cities and Towns, to be deposited in the county road and bridge fund.

5a. Taconite Property Tax Relief

A total of 15-cents per ton escalated by the Gross National Product Implicit Price Deflator is allocated to the Taconite Property Tax Relief Account. The qualifications and distribution of taconite property tax relief are described in the following paragraphs.

The Taconite Homestead Credit reduces the tax paid by owners of certain properties located on the Iron Ranges. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

The tax on all of the land comprising the farm is used in determining the amount of credit for a farm. Prior to 1983, the credit on farms was limited to 240 acres.

If an owner-occupied home or farm is located in a city or town which contained at least 40 percent of its valuation as iron ore on May 1, 1941 (but does not exceed 60 percent) or currently has a taconite mine, processing plant or electric generating facility, the taconite credit is 66 percent of the tax on that property to a maximum of $259.90 for taxes payable in 1990. If the property is not located in such a city or town, but is located in a school district containing such a city or town, the taconite credit is 57 percent of the tax on the property to a maximum credit of $234.60 for taxes payable in 1990.

The taconite "breakpoint" language which was included beginning with taxes payable in 1984 has been eliminated. This simplifies the credit considerably. The taconite homestead credit cannot reduce the "effective tax rate" on each parcel of property below 95 percent of the "base year effective tax rate" multiplied by the ratio of the current year's local tax rate to the payable 1989 local tax rate. "Effective tax rate" is the net tax divided by the market value, and the "base year effective tax rate" is the payable 1988 effective tax rate on a property with an identical market value to that of the property receiving the credit in the current year.

The amount of the taconite credit cannot be less than $10.00 per homestead. Any credit amount of less than $10.00 is increased to $10.00 or the amount of tax after any miscellaneous credits, whichever is less.

The total amount of taconite property tax relief paid in each county and school district is listed in Table 6.

The statutory references governing taconite property tax relief are contained in M.S. 273.134 to M.S. 273.136, and M.S. 298.28, Subd. 6. This credit is guaranteed by the N.E. Minnesota Economic Protection Fund as stated in M.S. 298.293.

b. Electric Power Plant

For any electric power plant located in another county (as described in 4b on the preceding page) approximately .8881-cents of the 12.0-cents-per-ton in the Taconite Property Tax Relief account is distributed to the school district in which the power plant is located and approximately .2960-cents-per-ton is distributed to the county containing that power plant.

In addition to the preceding distributions, additional amounts are distributed as follows:

1. 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.

2. 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.

3. Beginning with the 1989 production year (payable 1990), $55,000 per year for two years was appropriated from production tax revenues to the Department of Revenue for costs and expenses incurred in the administration of the taconite production tax (Chapter 335, Article 1, Section 19, Laws of Minnesota for 1989).

4. All proceeds from the taconite production tax remaining after the above distributions shall be divided between the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Fund. The Taconite Environmental Protection Fund will receive two-thirds, and the Northeast Minnesota Economic Protection Fund will receive one-third.

5. A $240,000 payment is made from the production tax to School District 710 for payment of school bonds. An amount equal to four-cents per ton of Eveleth Mines taxable production is subtracted from money otherwise payable to the Northeast Minnesota Economic Protection Fund. Any remaining amount required to equal $240,000 shall be paid as provided by M.S. 298.225.

6. The 1988 legislature passed a provision that has the production tax pay a portion of the bonds issued by the following school districts: 318 (Grand Rapids), 701 (Hibbing), 706 (Virginia), 708 (Tower), and 710 (St. Louis County). Money for the payments are deducted, in equal shares, from the distributions made to the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Trust. (Payments from this and previous legislation are shown in Table 11, page 17).

7. The 1982 legislature increased the taconite production tax credit to four-cents per taxable ton for school district bonds. However, a credit of seven-cents per ton is allowed for Independent School District 712, Mt. Iron-Buhl. The school bond credits are subtracted from the amount which would otherwise be distributed to the Northeastern Minnesota Economic Fund. These credits are for bond payments made by the companies and are not collected or distributed by the Department of Revenue.

8. The 1990 legislature authorized additional school bonds for eight school districts. The districts and the amount of the bonds are listed under "Legislative Changes" on the first page of the production tax section.

M.S. 298.225 - The recipients of the taconite production tax as provided in M.S. 298.28, Subdivision 1, Clauses (2) to (5), (6)(b), (6)(c), (7) and (8), are guaranteed to receive distributions equal to the amount distributed to them with respect to the 1983 production year, provided that production is not less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount distributed from the fund will be reduced proportionately at two percent per each 1,000,000 tons that the production is less than 42,000,000 tons. This aid guarantee is funded equally by the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Fund. The aid payments covered by this variable guarantee are listed as follows:

1. 2.5-centsCity and Town Fund.
2. 12.3-cent Taconite Municipal Aid.
3. 3-cents escalated to I.R.R.R.B.
4. .2-cent R.A.M.S.
5. .1875-cent power plant transfer from Taconite Property Tax Relief Account to Cook County.

The following funds are guaranteed at 75 percent or the variable guarantee above, whichever is less:

1. 13.0-cent Taconite County Fund.
2. 3.5-cent Taconite County Road & Bridge Fund.

The following funds are guaranteed at 50 percent or the variable guarantee above, whichever is less:

1. 22-cent School Fund.
2. 5.5-cent School District Fund.
3. Taconite Referendum Fund.
4. .5625-cent power plant transfer from Taconite Property Tax Relief Account to S.D. 166.

The Taconite Property Tax Relief is not covered by M.S. 298.225, but is guaranteed separately by the Economic Protection Fund, as stated in M.S. 298.293.

TACONITE PROPERTY TAX RELIEF

The taconite homestead credits described on page 10 are administered by the county auditors for the eligible relief areas within the county. The amounts payable in 1989 are listed in Table 7. Total amounts distributed as shown in Table 7 are determined by the formula described on page 10 and do not equal the total amount of production tax allocated for property tax relief shown in the tables as collections or payments into account.

The difference is carried in the Taconite Property Tax Relief Fund balance with St. Louis County as fiscal agent. If the fund balance and production tax collections are not sufficient to make the payments, the deficit is made up from the Economic Protection Fund. (NOTE: The $8,080,956 is split between the local municipalities, counties and schools based upon the current local tax rate).

TABLE 5 - SUMMARY OF TACONITE PROPERTY TAX RELIEF BALANCES

Year	Payments into Account*	Interest Earned**	Payments Out (by formula)	Balance December 31
1982	$19,317,000	N/A	$16,207,800	$11,709,536
1983	16,381,200	N/A	17,600,000	10,494,112
1984	13,261,800	N/A	19,109,000	4,183,498
1985	8,884,100	N/A	10,357,400	3,041,834
1986	9,398,900	$426,700	10,572,700	2,308,000
1987	9,122,400	449,800	10,971,500	908,700
1988	9,727,800	325,700	10,883,300	79,000
1989***	5,904,200	214,400	8,081,000	9,200
1990	9,537,400	200,000 Est.	7,900,000 Est.	1,846,600 Est.
1991 Est.	10,400,000 Est.	400,000 Est.	8,400,000 Est.	4,246,600 Est.

* Listed under year payable, 1990 payments result from 1989 production.

** Managed by Dept. of Finance and no interest paid to fund prior to 1986. Other factors such as money returned by schools was not researched. St. Louis County began as fiscal agent in 1986.

*** A projected deficit of $1,892,536 was covered by a transfer from the N.E. Minnesota Economic Protection Trust Fund.

TABLE 6 - TACONITE PROPERTY TAX RELIEF PAYMENTS BY AREA

Total Listed by School District Area:

001 - Aitkin	$ 600,195
166 - Cook County	318,731
182 - Crosby/Ironton	613,394
316 - Coleraine	373,002
318 - Grand Rapids	1,690,458
319 - Nashwauk/Keewatin	162,997
381 - Lake Superior	775,097
691 - Aurora/Hoyt Lakes	311,783
692 - Babbitt	183,936
693 - Biwabik	84,590
695 - Chisholm	164,136
696 - Ely	183,145
697 - Eveleth	318,535
699 - Gilbert	93,787
701 - Hibbing	635,690
706 - Virginia	300,678
708 - Tower/Soudan	202,461
710 - St. Louis County	782,312
712 - Mt. Iron/Buhl	230,314
TOTAL: (Payable 1989)	$8,025,241

Total Listed by County Area:

	Mobile Home	Real Property	Total
St. Louis	$22,091	$3,643,572	$3,665,663
Itasca	22,069	2,226,457	2,248,526
Lake	2,101	619,415	621,516
Crow Wing	4,660	634,813	639,473
Aitkin	3,014	578,776	581,790
Cook	1,620	318,731	320,351
Koochiching	160	3,477	3,637
TOTAL: (Payable 1989)	$55,715	$8,025,241	$8,080,956

Mobile homes are taxed differently than other real estate in that they are assessed and taxed in the same year. The mobile home totals are not listed separately by school district for the Minnesota Mining Tax Guide. The largest amount in an individual district was $15,984 for Independent School District 318 - Grand Rapids.

TABLE 7

1990 DISTRIBUTION (1989 PRODUCTION YEAR)

BASED ON 36,952,825 TAXABLE TONS
(CENTS-PER-TON)

Aid Recipient	Cents Per Taxable Ton
Taconite Cities and Towns	3.4
Taconite Municipal Aid	17.3
School Districts	45.2*
County	26.2
County Road and Bridge	6.9
Taconite Property Tax Relief	25.8
I.R.R.R.B.	9.7
R.A.M.S.	.3
Taconite Railroad Grandfather Amount	8.6
Taconite Environmental Protection Fund	36.3
N.E. Minnesota Economic Protection Fund	12.2
School Bond Credits and Payments	5.5
State of Minnesota	.1
	197.5

* 36.5-cents-per-ton will be subtracted from state aids or levies a taconite school district would otherwise receive. The 5.5-cent and 22-cent school funds and the school portion of taconite railroad funds are subtracted while the taconite referendum money is in addition to state aid.

1990 PRODUCTION TAX DISTRIBUTION

(Flowchart)

The flowchart on the following page attempts to provide a simple and easy to understand picture of where the production tax of $1.975 per taxable ton is distributed. This is a very complex subject with many legal requirements and provisions.

This flowchart shows both the cents-per-ton distribution, as indicated above, and the total amount distributed to various funds. These total amounts can also be found on the tables following the flowchart.

The various funds to which money is distributed are explained in the preceding several pages titled "Distribution of the Taconite Production Tax".

If you have any questions concerning this subject, please contact the Minerals Tax Division. The address and telephone number are listed on the inside back cover.

1990 TACONITE PRODUCTION TAX DISTRIBUTION FLOW CHART

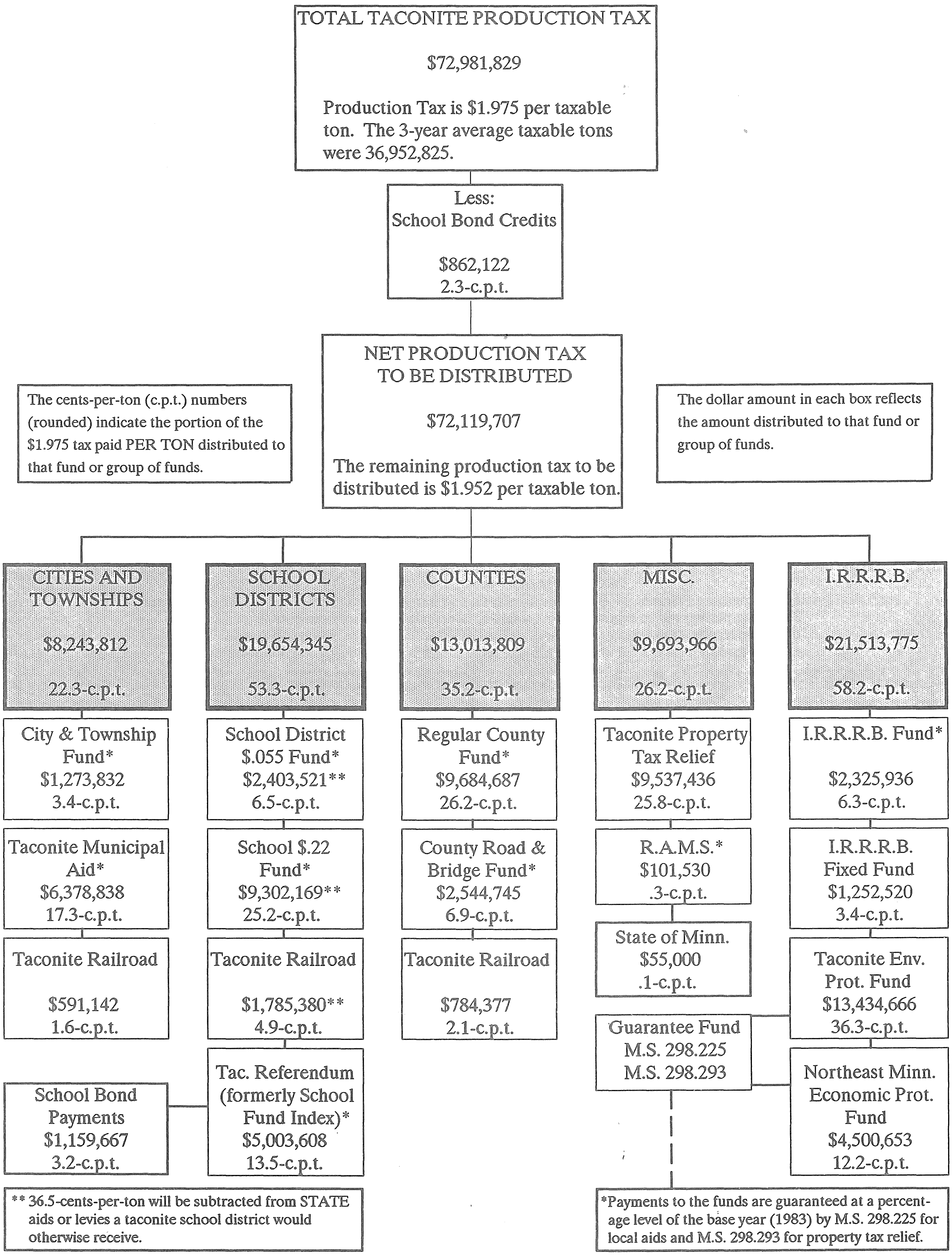


TABLE 8
HISTORICAL SUMMARY OF TACONITE PRODUCTION TAX DISTRIBUTION*

PRODUCTION YEAR:	1984	1985	1986	1987	1988	1989
City & Township	$ 1,192,100	$ 1,157,812	$ 1,005,214	$ 1,037,379	$ 1,134,857	$ 1,273,832
Taconite Municipal	5,855,757	5,696,443	4,949,028	5,177,066	5,707,488	6,378,838
School District - Regular	2,920,098	2,836,169	2,019,239	1,920,580	2,112,938	2,403,521
School District Fund	10,967,343	10,651,894	7,610,880	7,412,485	8,177,023	9,302,169
Taconite Referendum Fund	3,958,435	4,000,678	4,021,355	4,027,123	4,085,759	5,003,608
County	10,437,393	10,194,573	8,474,378	8,702,769	9,087,474	9,684,687
County Road & Bridge	2,688,626	2,626,006	2,197,104	2,269,243	2,371,223	2,544,745
Taconite Prop. Tax Relief	8,884,109	9,398,881	9,122,405	9,727,842	5,904,193	9,537,436
State	343,974	-0-	-0-	-0-	-0-	55,000
I.R.R.R.B. ($.03 Indexed)	1,958,162	1,903,782	1,650,487	1,760,279	1,994,855	2,325,936
Range Association of Municipalities & Schools	95,003	92,271	80,115	82,680	90,451	101,530
Taconite Railroad (Fixed)	3,160,899	3,160,899	3,160,899	3,160,899	3,160,899	3,160,899
I.R.R.R.B. (Fixed)	1,252,520	1,252,520	1,252,520	1,252,520	1,252,520	1,252,520
710 School Bond Payment	240,000	240,000	240,000	240,000	240,000	240,000
Other School Bond Payments					769,937	919,667
Taconite Environmental Protection Fund	8,719,590	9,201,969	3,334,820	4,397,896	9,075,227	13,434,666
N.E. Minnesota Economic Protection Fund	1,840,246	2,677,890	(460,662)	15,365	2,237,226	4,500,653
TOTAL:	$64,514,255	$65,091,787	$48,657,782	$51,184,126	$57,402,070	$72,119,707

* The production tax is collected and distributed in the year following production, e.g., the 1989 production tax was collected and distributed during 1990.

( ) Indicates that production tax revenues allocated to the N.E. Minnesota Economic Protection Fund were not sufficient to cover the aid guarantee provisions of M.S. 298.225. Therefore, $460,662 was withdrawn from the principal of the fund.

TABLE 9

TACONITE PRODUCTION TAX DISTRIBUTIONS TO CITIES & TOWNSHIPS - 1990

(Based upon 1989 Production Year Tax Revenues)
(Not including Taconite Property Tax Relief Dollars)

Name	Mining & Concentrating	Taconite* Railroad	Taconite Municipal Aid	Total
COOK COUNTY				
Schroeder Township	$ ---	$ 47,700	$ ---	$ 47,700
CROW WING COUNTY				
Crosby	---	---	117,849	117,849
Ironton	---	---	38,492	38,492
Riverton	---	---	3,681	3,681
Trommald	---	---	2,722	2,722
Irondale Township	---	---	12,188	12,188
Rabbit Lake Township	---	---	1,438	1,438
Wolford Township	---	---	---	---
ITASCA COUNTY				
Bovey	---	---	86,209	86,209
Calumet	---	---	42,988	42,988
Coleraine	---	---	109,246	109,246
Keewatin	26,042	---	127,224	153,266
Marble	---	---	74,959	74,959
Nashwauk	13,404	---	148,474	161,878
Taconite	---	---	37,693	37,693
Bass Brook Township	---	---	---	---
Grand Rapids Township	---	---	4,440	4,440
Greenway Township	17,069	---	33,995	51,064
Iron Range Township	---	---	13,401	13,401
Lone Pine Township	5,592	---	2,535	8,127
Nashwauk Township	16,825	---	28,088	44,913
LAKE COUNTY				
Silver Bay	94,898	152,706	214,322	461,926
Beaver Bay Township	---	12,565	---	12,565
Crystal Bay Township	---	6,951	---	6,951
Silver Creek Township	---	20,612	---	20,612
Stony River Township	---	19,943	---	19,943
ST. LOUIS COUNTY				
Aurora	1,180	---	168,397	169,577
Babbitt	100,531	166,767	169,355	436,653
Biwabik	---	---	101,584	101,584
Buhl	---	---	116,093	116,093
Chisholm	---	---	451,797	451,797
Ely	---	---	277,757	277,757
Eveleth	44,807	---	360,097	404,904
Franklin	4,136	---	509	4,645
Gilbert	---	---	182,266	182,266
Hibbing	303,459	---	1,264,249	1,567,708
Hoyt Lakes	163,387	152,153	258,808	574,348
Kinney	5,415	---	62,036**	67,451
Leonidas	3,072	---	11,310	14,382
McKinley	---	---	19,749	19,749
Mountain Iron	308,644	---	338,947	647,591
Virginia	19,519	---	979,643	999,162
Balkan Township	---	---	74,040	74,040
Bassett Township	---	11,745	---	11,745
Biwabik Township	---	---	38,802	38,802
Breitung Township	---	---	20,015	20,015
Fayal Township	3,242	---	26,275	29,517
Great Scott Township	8,896	---	25,812	34,708
McDavitt Township	62,385	---	23,051	85,436
White Township	31,935	---	299,550**	331,485
Wuori Township	39,394	---	8,752	48,146
TOTALS:	$1,273,832	$591,142	$ 6,378,838	$8,243,812

* Fixed amount based on 1977 Taconite Railroad Gross Earnings Tax distributions.
** Includes amount from M.S. 298.28, Subd. 1, Clause (2)(b).

TABLE 10
TACONITE PRODUCTION TAX DISTRIBUTIONS TO SCHOOL DISTRICTS - 1990

(Does not include dollars from Taconite Property Tax Relief)

School Districts	$.055	$.22	Taconite Railroad	Taconite Referendum	Total
001 - Aitkin	$ ---	$ 193,207	$ ---	$ 180,191	$ 373,398
166 - Cook County	65,233*	54,065	427,383	57,808	604,489
182 - Crosby-Ironton	---	289,096	---	201,994	491,090
316 - Coleraine	51,975	848,954	---	333,565	1,234,494
318 - Grand Rapids	---	690,134	---	518,803	1,208,937
319 - Nashwauk-Keewatin	129,522	308,685	---	162,678	600,885
381 - Lake Superior	126,664	660,926	552,774	445,975	1,786,339
691 - Aurora-Hoyt Lakes	302,020	730,557	345,802	291,797	1,670,176
692 - Babbitt	146,006	374,487	459,421	176,045	1,155,959
693 - Biwabik	58,610	182,403	---	100,815	341,828
695 - Chisholm	---	588,440	---	228,453	816,893
696 - Ely	---	236,028	---	172,712	408,740
697 - Eveleth	97,114	485,820	---	247,678	830,612
699 - Gilbert	---	273,714	---	120,046	393,760
701 - Hibbing	595,272	1,387,286	---	669,742	2,652,300
706 - Virginia	136,381	699,098	---	368,688	1,204,167
708 - Tower-Soudan	---	34,187	---	52,118	86,305
710 - St. Louis County	118,511	690,929	---	446,978	1,256,418
712 - Mt. Iron-Buhl	576,213	574,153	---	227,522	1,377,888
TOTALS:	$2,403,521	$9,302,169	$1,785,380	$5,003,608	$18,494,678

* Distribution resulting from the location of the LTV Steel Mining Company power plant.

TABLE 11
SCHOOL BOND CREDITS AND PAYMENTS

School District	Final Payment Year*	Credit	Payment	Total	Outstanding Balance**
318 - Grand Rapids	1997	$ ---	$ 111,960	$ 111,960	$ 893,224
319 - Nashwauk-Keewatin	1993	130,292	---	130,292	519,507
701 - Hibbing	1999	---	362,925	362,925	3,599,612
706 - Virginia	2003	---	218,826	218,826	3,079,070
708 - Tower-Soudan	2003	---	91,184	91,184	1,254,146
710 - St. Louis County	1995	---	240,000	240,000	1,440,000
710 - St. Louis County	2003	---	134,772	134,772	1,525,420
712 - Mt. Iron-Buhl	1998	731,830	---	731,830	8,398,273
TOTAL:		$862,122	$1,159,667	$2,021,789	$20,709,252

* Production year from which final bond payment will be deducted.

** Portion of outstanding bond balance to be paid by taconite funds (includes interest).

New bonds authorized by the 1990 legislature will require an additional $1.1 million per year.

TABLE 12
TACONITE PRODUCTION TAX DISTRIBUTIONS TO COUNTIES - 1990

(Does not include dollars from Taconite Property Tax Relief)

County	Regular County 15.5-Cents	County Road & Bridge 3.5-Cents	Taconite Railroad	Total
Cook	$ 109,794	$ ---	$187,190	$ 296,984
Itasca	531,161	138,940	---	670,101
Lake	715,497	184,645	243,034	1,143,176
St. Louis	8,328,235	2,221,160	354,153	10,903,548
TOTAL:	$9,684,687	$2,544,745	$784,377	$13,013,809

TABLE 13
TACONITE PRODUCTION AND TAX REVENUE -- BY FIRM

PRODUCTION YEAR 1989

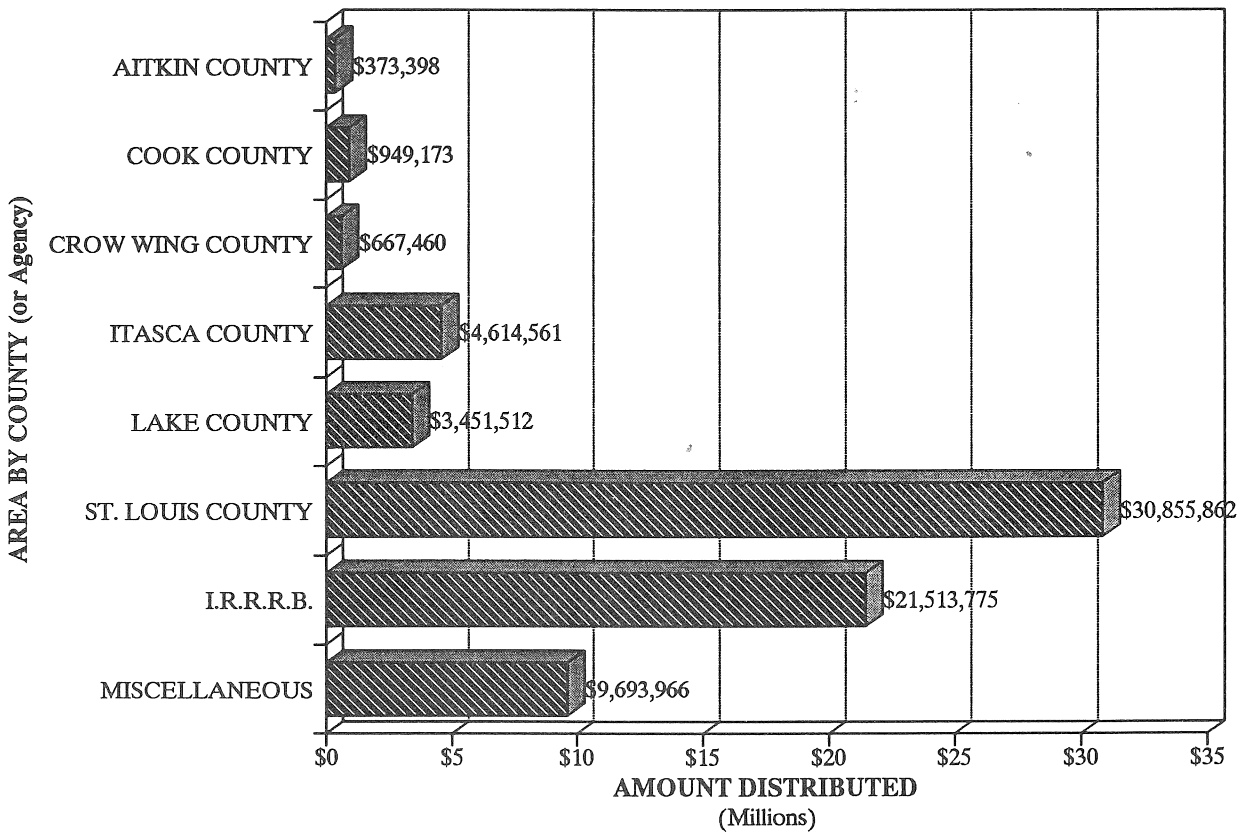
Firm	Production Tons	Taxable* Tonnage	Production Tax Rate	Tax Collected** After Credits
Eveleth	4,910,384	4,210,100	$1.975	$ 8,314,947
Hibbing	8,186,626	8,175,090	1.975	16,145,803
Inland	2,269,177	2,211,892	1.975	4,368,487
LTV Steel	7,372,667	7,345,193	1.975	14,506,756
National	4,745,024	4,555,834	1.975	8,867,480
Reserve	-0-	-0-	1.975	-0-
USX	11,846,319	10,454,716	1.975	19,916,234
TOTAL:	39,330,197	36,952,825	$1.975	$72,119,707

ESTIMATED FOR PRODUCTION YEAR 1990

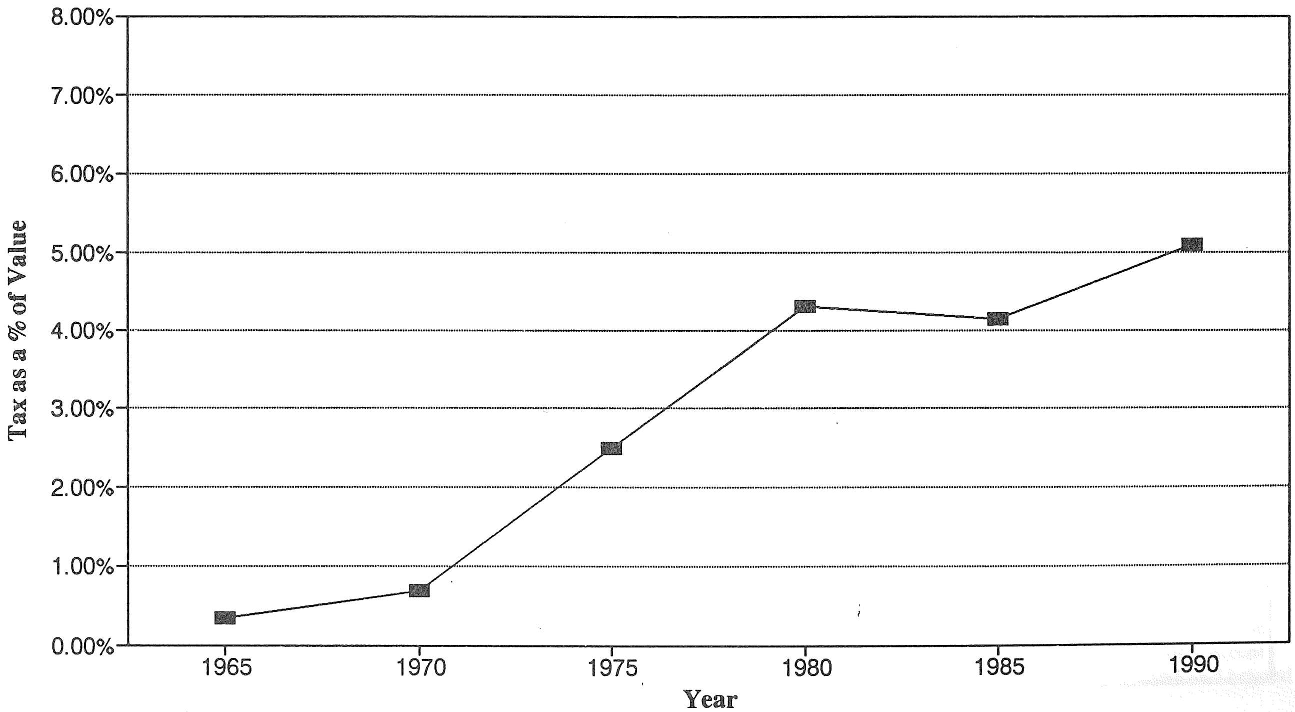
Firm	Production Tons	Taxable* Tonnage	Production Tax Rate	Tax Collected** After Credits
Cyprus	1,500,000	500,000	$1.975	$ 988,000
Eveleth	4,000,000	4,380,000	1.975	8,656,000
Hibbing	8,000,000	8,280,000	1.975	16,353,000
Inland	2,000,000	2,170,000	1.975	4,290,000
LTV Steel	7,000,000	7,420,000	1.975	14,655,000
National	4,000,000	4,450,000	1.975	8,660,000
USX	11,500,000	11,730,000	1.975	22,349,000
TOTAL:	38,000,000	38,930,000	$1.975	$75,951,000

* The taxable tonnage is the average production of the current year and previous two years.
** Production tax revenue after school bond credits have been taken.

1989 TACONITE PRODUCTION TAX DISTRIBUTIONS BY AREA

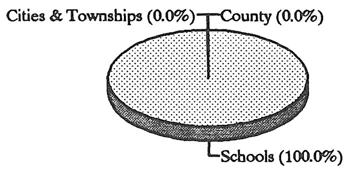


PRODUCTION TAX AS A PERCENT OF LAKE ERIE VALUE



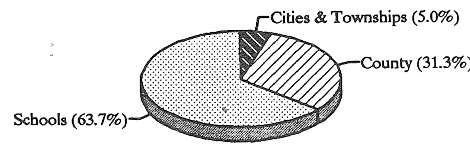
1989 TACONITE PRODUCTION TAX DISTRIBUTIONS

AITKIN COUNTY



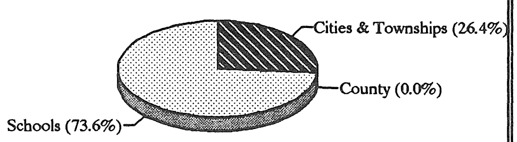
$373,398

COOK COUNTY



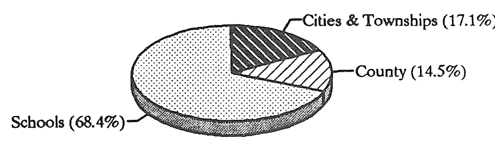
$949,173

CROW WING COUNTY



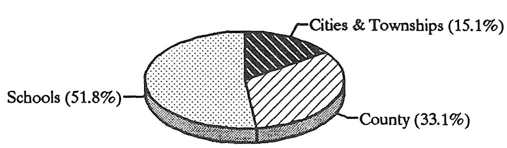
$667,470

ITASCA COUNTY



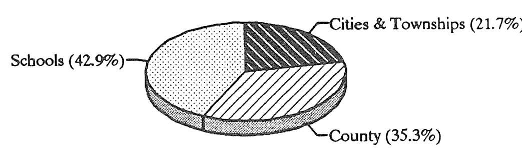
$4,614,561

LAKE COUNTY



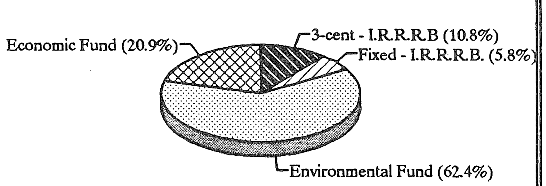
$3,451,512

ST. LOUIS COUNTY



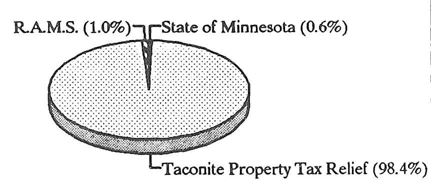
$30,855,862

I.R.R.R.B.



$21,513,775

MISCELLANEOUS FUNDS



$9,693,966

TABLE 14

TACONITE PRODUCED (000's) AND PRODUCTION TAX COLLECTED (000's) 1955 - 1990

Year	Production Tons	Production Tax Collected	Collection Rate Production Ton	Taxable* Tons	Tax Rate Taxable Ton
1955	1,341	$ 78	$ .058		
1956	5,069	297	.059		
1957	6,812	397	.058		
1958	8,574	500	.058		
1959	8,414	528	.063		
1960	13,390	735	.055		
1961	13,187	766	.058		
1962	14,526	842	.058		
1963	16,701	972	.058		
1964	18,505	1,075	.058		
1965	19,004	1,104	.058		
1966	21,677	1,257	.058		
1967	24,311	1,427	.059		
1968	30,269	1,782	.059		
1969	33,410	3,778	.113		
1970	35,348	4,253	.120		
1971	33,778	5,539	.164		
1972	34,544	7,002	.203		
1973	41,829	10,159	.243		
1974	41,053	11,952	.291		
1975	40,809	30,347	.744		
1976	40,575	30,857	.760		
1977	26,372	48,891	1.854	37,759	$1.295*
1978	49,545	69,394	1.401	49,614	1.399*
1979	55,333	88,485	1.599	55,373	1.598*
1980	43,060	87,179	2.025	50,296	1.733*
1981	49,369	99,018	2.006	51,799	1.916*
1982	23,445	80,305	3.425	38,624	2.078*
1983	25,173	67,341	2.675	33,302	2.047*
1984	35,689	64,514	1.876	35,689	2.107
1985	33,265	65,092	1.957	34,477	2.048
1986	25,451	48,658	1.912	31,468	1.900
1987	32,043	51,184	1.597	29,039	1.900
1988	39,485	57,402	1.454	32,326	1.900
1989	39,330	72,120	1.834	36,953	1.975
1990 Est.	38,000	75,952	1.999	38,938	1.975

* The 1977 law was the first to apply the production tax rate against "taxable tons", the greater of the current year's production or the three-year average of production tons. Due to a negotiated settlement of court cases, the taxable tonnage for 1984 was the current year only. The taxable tonnage for 1985 was the average tonnage for 1984 and 1985. A three-year average is used for 1986 and beyond.

TABLE 15
PRODUCTION TAX CREDITS RESULTING FROM ERIE II COURT CASE

Firm	1984	1985	1986	1987	1988	TOTAL
	PRODUCTION YEAR					
Butler	$ 250,926	$ 165,856	$ 163,217	$ 149,198	$ -0-	$ 729,197
LTV Steel Mining Co.	1,319,237	780,864	768,442	-0-	-0-	2,868,543
Eveleth	324,161	259,429	255,302	233,373	224,230	1,296,495
Hibbing	397,307	318,230	313,168	286,269	275,055	1,590,029
Inland	230,102	152,547	150,120	137,226	131,850	801,845
National	678,702	436,553	429,608	392,709	377,325	2,314,897
Reserve	1,289,869	757,450	745,400	681,378	654,685	4,128,782
USX Corporation	2,435,547	1,598,209	1,572,784	1,437,694	1,381,374	8,425,608
TOTALS:	$6,925,851	$4,469,138	$4,398,041	$3,317,847	$3,044,519	$22,155,396

The credits consisted of all interest to date plus one-fifth of the initial principal and was paid back by not collecting that amount of money from each firm. The production year credits were applied to the taxes payable in the following year. For example, the 1988 production year credits were applied to the taxes payable in 1989. The 1988 credit completed the court case settlement.

TABLE 16
HISTORY OF N.E. MINNESOTA ECONOMIC PROTECTION TRUST FUND

Period Ending Balance:	
December 31, 1978	$ 3,022,456
December 31, 1979	8,952,161
December 31, 1980	18,948,356
December 31, 1981	30,944,655
December 31, 1982	36,302,700
December 31, 1983	28,487,283
June 30, 1984	27,019,423
September 30, 1985	28,859,669
June 30, 1986	31,537,559
June 30, 1987	31,186,041
June 30, 1989	31,279,724
June 30, 1990	36,679,552

Major Withdrawals:		
September 27, 1982	$ 2.5 million	I.R.R.R.B. Jobs Program
February 3, 1983	$ 5.0 million	I.R.R.R.B. Jobs Program
May 24, 1983	$10.0 million	I.R.R.R.B. Economic Development
February 25, 1984	$2.08 million	Aid guarantees to cities and schools as per M.S. 298.225*
February & May, 1987	$ .46 million	M.S. 298.225
September 26, 1989	$ 1.9 million	Property Tax Relief Guarantee**

* This aid guarantee formula was revised by the 1984 legislature so that further withdrawals should not be necessary except during serious depression of the iron ore industry.

** Funding for Taconite Property Tax Relief was reduced from 22-cents per ton to 12-cents per ton by the 1988 legislature. When this proved to be inadequate funding, it was increased by the legislature in the 1989 special session from 12-cents to 15-cents per ton. This should eliminate withdrawals from the N.E. Minnesota Economic Fund for property tax relief in normal production years.

OCCUPATION TAX - 1990

The Occupation Tax on taconite and iron ore will change after December 31, 1989. As of January 1, 1990, this tax will be computed under most of the same provisions as the corporate franchise (income) tax. All taconite companies have been preparing this tax return as the hypothetical income tax portion of the M.S. 298.40 limitation calculation worksheet.

The starting value of this modified occupation tax will continue to be the mine value, determined by the Commissioner of Revenue and published in the annual occupation tax directive. The tax will apply only to the Minnesota mine and plant (non-unitary).

The two major differences from the existing occupation tax are:

1. All shipments to out-of-state steel plants will be considered non-Minnesota sales for purposes of apportionment. This means that only 30 percent of the mining income will be subject to the 9.8 percent franchise tax.

2. The allowance of percentage depletion.

TRANSITION RULES

Some transition provisions are necessary due to the differences between the occupation tax and the corporate franchise tax. The transition rules involve the treatment of depreciation, basis of mining assets, and net operating losses (NOL's).

Depreciation

No depreciation is allowed for assets fully depreciated under the existing tax. The same depreciation deduction as allowed for federal tax purposes shall be allowed for all assets placed in service in 1990 and thereafter. For assets placed in service prior to 1990 which are not fully depreciated, the depreciation deduction shall be the same as that allowed under the corporate franchise tax. After the assets are fully depreciated for federal tax purposes, any basis not deducted under the occupation or franchise tax is allowed as a deduction according to the same schedule used for ACRS modifications under the franchise tax.

Basis for Determining Gain or Loss from the Sale of Mining Assets

This basis shall be the same as the adjusted basis used to calculate the hypothetical corporate income tax.

Net Operating Loss

Any NOLs determined under the hypothetical corporate income tax prior to 1990 shall be allowed to be carried forward.

The Minerals Tax Division is developing a modified corporate income tax return for use by the taconite companies in preparing the occupation tax return.

Even though the tax follows most of the provisions of the corporate franchise (income) tax, the return will continue to be filed with the Minerals Tax Division, using the normal occupation tax filing dates.

ALTERNATIVE MINIMUM TAX

The previous factors AMT, which expired on December 31, 1989, is the excess of the Minnesota property, payroll, and sales times .001 (one-tenth of one percent) over the regular corporate franchise tax. This has been replaced by a new AMT based upon the federal corporate AMT.

For mining companies, the gross income for a federal based AMT would be determined in the same manner as that for the regular occupation tax. The deductions allowed against gross income would be more restrictive. The deductions for depreciation and depletion would be limited to the amounts allowed under the federal AMT laws. This tax will also apply to the mining of other minerals, such as gold, silver, copper or nickel.

OCCUPATION TAX DISTRIBUTION

An amount of money equal to one-cent per taxable ton of taconite is distributed to the I.R.R.R.B. specifically for any county in Region 3 not qualifying for taconite property tax relief. Only Carlton and Koochiching counties qualify. This money shall be used to provide economic or environmental loans or grants.

Year	Amount	Year	Amount
1983	$386,245	1987	$280,194
1984	$333,022	1988	$290,395
1985	$356,886	1989	$321,831
1986	$344,766	1990	$369,528

OCCUPATION TAX ON TACONITE, SEMI-TACONITE AND IRON ORE 1921 - 1989

INTRODUCTION

In 1921, the Minnesota State Legislature imposed the occupation tax, upon "...every person engaged in the business of mining or producing iron ore or other ore in this state." The occupation tax generally resembles a corporate income tax, but more restrictive.

DETERMINATION OF VALUE OF ORE FOR PURPOSE OF TAX

Calculation of taxable value involved two steps. The first step was the determination of the ore value at the mouth of the mine (ore prior to processing).

The second step was the procedure of determining the value of ore for tax purposes. Subtracted from the value of iron ore at the mouth of the mine were certain expenses, specified by statute, called the Statutory Deductions. Some of the major deductions were:

1. Mining Costs: The reasonable cost of labor and supplies to remove the ore and bring it to the surface.

2. Development Costs: All costs of clearing the land, removing the surface overburden and any waste iron formation down to the first layer of mineable iron or taconite, are capitalized as development.

3. Taxes: Natural ore producers are allowed the entire amount of ad valorem taxes levied and paid for the current year on unmined ore. Taconite producers are allowed the total production tax paid for the current year.

4. Royalty Expense: Royalties accrued on tonnages mined or produced during the calendar year are allowed as a deduction.

5. Plant and Equipment Depreciation: Assets were classified into three categories for depreciation purposes:

a) Beneficiation Plant - Assets in this category included all crushing and processing facilities and associated equipment, tailings basins, power plants, and substations serving plant facilities.

b) Standard Plant - All administrative offices, labs, shops and garages were Standard Plant assets. Shovels, drills and assets used either to move ore from the mine to the beneficiation plant or the finished product to railroad cars of a common carrier were included here.

c) Motorized Equipment - All trucks, autos, trailers, dozers, graders and rubber-tired and crawler-mounted cranes were included in this category.

Taconite facilities were allowed depreciation at a rate of four percent per year on grouped assets for the beneficiation plant and standard plant and ten percent per year for motorized equipment. Natural ore producers were allowed depreciation at a rate of five percent per year for the beneficiation and standard plant with ten percent for motorized equipment. The total depreciation deduction was limited to ninety percent of the depreciable assets remaining on hand at the end of the year.

6. Interest on Plant Investment: An allowance for beneficiation plant investment interest was allowed as a deduction. This deduction for interest expense did not have to be actually incurred and generally was limited to four percent of the undepreciated balance on the beneficiation plant investment on January 1 of the current year.

If actual interest expense incurred for beneficiation plant investment exceeded the four percent allowance, the interest allowed was the actual amount paid up to, but not exceeding, six percent of the undepreciated balance for beneficiation plant. Except for this allowance, no other interest expense could be deducted.

The occupation tax rate was 14 percent for ores mined in 1987 and subsequent years. The maximum labor credit allowed was 8.25 percent, which reduced the tax rate to a net effective occupation tax rate of 5.75 percent.

TABLE 17
1989 OCCUPATION TAX PAID OR REFUNDED

TACONITE COMPANY	NET EFFECTIVE RATE	1989 OCCUPATION TAX DUE	1989 REFUNDS
Eveleth Mines	5.75%	$ -0-	$75,301
Hibbing Taconite	5.75%	349,691	-0-
Inland Steel	5.75%	-0-	-0-
LTV Steel Mining Co.	5.75%	-0-	-0-
National Steel	5.75%	-0-	-0-
USX Corporation	5.75%	-0-	-0-
TOTALS:		$ 349,691	$75,301

NATURAL ORE COMPANY	NET EFFECTIVE RATE	1989 OCCUPATION TAX DUE
LTV Steel Company	5.75%	$ 145,312
USX Corporation	5.75%	14,992
TOTAL:		$ 160,304

The taconite production tax and the occupation tax use different production tonnages. Table 18 below is a reconciliation to show the total production for each company including flux and excluding flux. This table should eliminate any errors or misunderstanding concerning tonnage.

TABLE 18
1989 RECONCILIATION OF OCCUPATION TAX AND PRODUCTION TAX TONNAGE

Company	Occupation Tax Production	Less: Flux	Production Tax Production
Eveleth	4,933,512	(23,128)	4,910,384
Hibbing	8,186,626	-0-	8,186,626
Inland	2,416,316	(147,139)	2,269,177
LTV (Erie)	7,375,776	(3,109)	7,372,667
National	4,745,024	-0-	4,745,024
USX	12,224,575	(378,256)	11,846,319
1989:	39,881,829	(551,632)	39,330,197
Previous Years Reconciliations:			
1988:	39,772,129	(286,897)	39,485,232
1987:	32,108,759	(65,710)	32,043,049

TABLE 19
OCCUPATION TAX - LAKE ERIE VALUE
(Historical Summary)

	NATURAL ORE					TACONITE				
	LAKE ERIE VALUE/TON		TRANSPORTATION COSTS ($/TON)			LAKE ERIE VALUE/TON		TRANSPORTATION COSTS ($/TON)		
	Mesabi Non-Bessemer									
Year	Per Fe Unit	Per Ton	Rail*	Lake**	Total	Per Fe Unit	Per Ton	Rail*	Lake**	Total
1965	0.2049 x 51.5% Fe	10.55	1.47	2.17	3.64	0.252 x 65% Fe	16.38	1.47	2.17	3.64
1970	0.2097	10.80	1.74	2.31	4.05	0.266	17.29	1.74	2.31	4.05
1975	0.3472	17.88	2.92	3.91	6.83	0.4602	29.91	2.92	3.91	6.83
1976	0.3807	19.61	3.25	4.29	7.54	0.5134	33.37	3.25	4.29	7.54
1977	0.4099	21.11	3.52	4.56	8.08	0.5553	36.09	3.52	4.56	8.08
1978	0.4275	22.02	3.66	4.95	8.61	0.5851	38.03	3.70	4.97	8.67
1979	0.4613	23.76	4.07	5.45	9.52	0.6524	42.41	4.17	5.64	9.81
1980	0.5217	26.87	4.82	6.42	11.24	0.7289	47.38	4.86	5.84	10.70
1981	0.5811	29.93	5.88	7.47	13.35	0.7788	50.62	6.11	6.75	12.86
1982	0.6316	32.53	7.13	8.06	15.19	0.869[a]	56.49	4.61	8.08	12.69
1983	0.6175	31.80	6.96	8.09	15.05	0.869[a]	56.49	4.94	8.09	13.03
1984	0.6122	31.53	6.73	8.09	14.82	0.869[a]	56.49	4.98	8.09	13.07
1985	0.6122	31.53	6.73	8.09	14.82	0.725[b]	47.13	4.98	8.09[c]	13.07
1986	0.6122	31.53	6.73	8.09	14.82	0.725[b]	47.13	4.98	8.09[c]	13.07
1987 (1/1-4/30)	0.6122	31.53	6.73	8.09	14.82	0.725[b]	47.13	4.98	8.09[c]	13.07

* Rail transportation is from the mine to a port on Lake Superior.
** Lake transportation is from Lake Superior to a lower lake port.

a) Industry prices used for occupation taxes. One company (P-M) quoted a lower price (80.50) not used by the State.

b) Quoted prices for companies varied from .594 at Lake Superior to .725 or .869 Lake Erie prices. Any price changes occurred in August or September, 1985. All companies were allowed to use .725 from 1/1/85 through 4/30/87.

c) 1985-86 rail freight quoted in Skillings: 4.98. Occupation Tax Allowance: 4.85.
1985-86 lake freight quoted in Skillings: 8.37. Occupation Tax Allowance: 8.09.

Effective May 1, 1987, the Department of Revenue, Minerals Tax Division, modified the starting point for Occupation Tax from the Lake Erie Value to the Mine Value, which is the value of the ore at the mine, after beneficiation, but without any transportation charges. Two prices for taconite pellets were established, one for acid (regular) pellets and another price for flux (limestone added) pellets. Additional detail is provided in the Occupation Tax section.

MINE VALUE/TON (Natural Ore)

1987 (5/1-12/31)	0.3235 x 51.5% Fe	16.66
1988 & 1989	0.3235 x 51.5% Fe	16.66

MINE VALUE/TON (Taconite)

Acid	.37344 x 65% Fe	24.34
Flux	.38888 x 65% Fe	25.28
Acid	.37344 x 65% Fe	24.34
Flux	.38888 x 65% Fe	25.28
Fines	.24065 x 65% Fe	15.64

TABLE 20

IRON ORE AND TACONITE PRODUCED IN MINNESOTA (000's) AND OCCUPATION TAX COLLECTIONS (000's)

1955 - 1989

	Iron Ore		Taconite		Totals	
Year	Tons Produced	Occupation Tax	Tons Produced	Occupation Tax	Tons Produced	Occupation Tax
1955	66,545	$ 31,501	1,341	$ 0	67,886	$ 31,501
1960	44,042	20,655	13,390	638	57,432	21,293
1961	30,458	13,010	13,187	898	43,645	13,908
1962	30,543	11,276	14,526	1,108	45,069	12,384
1963	28,682	10,886	16,701	1,426	45,383	12,312
1964	30,636	12,921	18,505	1,658	49,141	14,579
1965	33,462	15,646	19,004	1,740	52,466	17,386
1966	32,601	15,545	21,677	1,898	54,278	17,443
1967	25,480	12,646	24,311	1,611	49,791	14,257
1968	21,893	10,802	30,269	1,807	52,162	12,609
1969	22,511	10,968	33,410	2,285	55,921	13,253
1970	21,172	9,278	35,348	3,161	56,520	12,439
1971	17,530	7,301	33,778	5,379	51,308	12,680
1972	14,439	6,376	34,554	3,659	48,993	10,035
1973	17,941	8,836	41,829	6,824	59,770	15,660
1974	17,654	9,698	41,053	10,092	58,707	19,790
1975	10,227	5,038	40,809	18,955	51,036	23,993
1976	9,494	6,480	40,575	18,270	50,069	24,750
1977	4,647	2,641	26,372	3,190	31,019	5,831
1978	5,905	3,937	49,545	19,266	55,450	23,203
1979	4,230	2,663	55,333	23,856	59,563	26,519
1980	2,221	1,000	43,060	13,808*	45,281	14,808
1981	1,664	1,232	49,369	11,372*	51,033	12,604
1982	789	719	23,445	-0*	24,234	719
1983	851	499	25,173	2,386*	26,024	2,885
1984	850	442	35,689	10,606*	36,538	11,048
1985	1,465	394	33,265	4,070*	34,730	4,464
1986	1,122	343	25,451	5,866*	26,573	6,209
1987	1,403	789	32,109**	5,356	33,512	6,145
1988	743	294	39,772**	2,993	40,515	3,287
1989	603	160	39,882**	350	40,485	510
1990 Est.	500	130	38,300	2,000	38,800	2,130

* Actual tax collected as adjusted by the provisions of M.S. 298.40. For additional information on the tax due and amounts offset, see Table 23.

**Refer to Table 18.

TABLE 21

OCCUPATION TAX REPORT AVERAGES ON A PER TON BASIS
TACONITE INDUSTRY ONLY

Year	Tons Produced (000 Tons)	Lake Erie Value	(1) Cost of Benefi- ciation	(2) Transpor- tation	Develop- ment	(3) Cost of Mining	Depreciation: Std. Plant & Motor Equip.	Admin. Expense	Misc.	Royalty	Value of Production	Occupation Tax Due
1971	33,778	17.408	6.922	4.421	.579	1.578	.289	.133	.221	.655	2.609	.159
1972	34,554	17.437	7.398	4.420	.665	2.019	.300	.148	.250	.657	1.569	.106
1973	41,829	18.304	7.018	4.719	.600	1.961	.267	.140	.220	.679	2.419	.163
1974	41,053	22.122	8.188	5.790	.737	2.142	.270	.150	.300	.818	3.648	.246
1975	40,809	28.846	9.720	6.835	.890	2.715	.330	.186	.435	.976	6.746	.464
1976	40,575	32.200	11.560	7.557	1.219	3.030	.470	.208	.570	1.077	6.496	.450
1977	26,372	34.827	17.816	8.075	1.415	4.116	.900	.440	.928	1.110	(.031)	.121
1978	49,545	37.080	14.950	8.710	1.497	3.827	.519	.310	.766	1.259	5.234	.388
1979	55,333	41.306	16.440	9.789	1.760	4.000	.516	.417	.880	1.320	6.166	.435
1980	43,060	46.365	21.181	10.627	2.006	4.556	.722	.587	.932	1.444	4.308	.321
1981	49,369	51.106	21.171	13.254	2.155	5.135	.646	1.202	1.003	1.704	4.835	.257
1982	23,445	53.946	31.339	12.600	2.212	5.290	1.357	3.002	1.438	2.078	(5.372)	.140
1983	25,173	56.178	26.862	12.982	1.485	4.088	1.229	3.097	1.721	1.831	2.883	.453
1984	35,689	56.480	20.107	13.025	1.997	3.760	.737	3.430	1.104	1.691	10.629	.838
1985	33,265	47.102	19.533	13.012	1.568	3.660	.859	3.425	.974	1.654	2.417	.297
1986*	24,017	47.143	18.747	13.188	.902	3.754	.884	3.215	1.264	1.498	3.691	.259
1987	32,109	26.765**	15.774	.053	.556	4.407	.557	2.388	.996	1.281	.754	.167
1988	39,772	24.325	15.093	-0-	.864	4.609	.474	1.740	.978	1.180	(.613)	.075
1989	39,882	24.424	16.127	-0-	1.083	5.439	.554	2.025	.999	1.161	(2.964)	.009

(1) Cost of beneficiation is the total of Line 3 - Beneficiation Labor, Supplies, Depreciation and Interest, Line 6 - Marketing, and Line 7 - Sales and Use Tax.

(2) Transportation is the rail and lake transportation allowance from the occupation tax directives, as shown on Schedule 4A.

(3) Cost of mining is the total of Line 9A - Mining Labor, Line 9B - Mining Supplies, and Line 13 - Taxes.

* The 1986 numbers do not include Reserve Mining, which ceased production in August, 1986 due to bankruptcy.

** The starting point for occupation tax changed from the Lake Erie Value (F.O.B. lower lake port) to a Mine Value (F.O.B. mine) on May 1, 1987. The exact values are shown on Table 19.

TABLE 22

OCCUPATION TAX REPORT PER TON COSTS (000's)
TACONITE ONLY

BENEFICIATION

	Tons Produced	Beneficiation Labor	Per Ton	Beneficiation Supplies	Per Ton	Beneficiation Depreciation & Interest	Per Ton	Beneficiation/` Miscellaneous Per Ton	Total Beneficiation Per Ton
1981	49,369	$232,195	$4.703	$583,411	$11.817	$197,150	$3.994	$.473	$20.987
1982	23,445	153,361	6.541	366,730	15.642	188,239	8.029	.795	31.007
1983	25,173	158,209	6.285	325,389	12.926	184,617	7.334	.079	26.624
1984	35,689	112,415	3.150	419,708	11.760	173,211	4.853	.088	19.851
1985	33,265	106,804	3.210	372,156	11.188	156,363	4.700	.189	19.287
1986*	24,017	64,990	2.706	259,928	10.823	116,637	4.857	.088	18.474
1987	32,109	70,993	2.211	314,491	9.794	112,667	3.509	.080	15.594
1988	39,772	90,047	2.263	389,070	9.779	109,732	2.758	.101	14.901
1989	39,882	95,238	2.388	425,570	10.671	109,483	2.745	.090	15.894

MINING

	Tons Produced	Mining Labor	Per Ton	Mining Supplies	Per Ton	Cost of Mining	Mining Depreciation Per Ton	Total Mining Costs Per Ton
1981	49,369	$107,643	$2.180	$132,754	$2.689	$4.869	.646	$5.515
1982	23,445	56,247	2.399	57,952	2.472	4.871	1.357	6.228
1983	25,173	44,428	1.958	44,428	1.765	3.723	1.229	4.952
1984	35,689	60,957	1.708	63,600	1.782	3.490	.737	4.227
1985	33,265	57,540	1.730	54,739	1.646	3.376	.859	4.235
1986*	24,017	39,162	1.631	43,290	1.802	3.433	.884	4.317
1987	32,109	40,239	1.253	47,179	1.469	2.722	.556	3.278
1988	39,772	55,238	1.388	67,491	1.696	3.084	.474	3.558
1989	39,882	61,850	1.551	82,090	2.058	3.609	.554	4.163

* The 1986 numbers do not include Reserve Mining, which ceased production in August, 1986 due to bankruptcy.

M.S. 298.40 AND THE TACONITE AMENDMENT

The Taconite Amendment to the Minnesota Constitution (Minnesota Statute 298.40) was passed in 1964. It limited the taxes imposed upon the then existing and any new taconite producers for 25 years, or through 1989.

As a result of this law, three calculations were prepared every year for the occupation tax return: A) the laws of 1963, B) current year (Corporate Franchise) laws for a hypothetical Minnesota manufacturing corporation, and C) current year occupation tax laws. Calculations (A) and (B) are compared with the higher of these becoming the tax limitation. If the total taxes in (C) are greater than the limitation, then the difference is either not collected or, if previously paid, refunded. The application of this provision follows:

THE COMPARATIVE CALCULATIONS ILLUSTRATED

(A) Laws of 1963	(B) Current Year Laws	(C) Current Year Laws
1) Occupation Tax 2) Royalty Tax	1) Corporate Franchise Tax or Alternative Minimum Tax on Taconite Facilities 2) Sales Tax Paid 3) Sales Tax Exempt for Taconite Only	1) Occupation Tax 2) Royalty Tax 3) Sales Tax
Total for Limitation Purposes	Total for Limitation Purposes	Total Taxes Limited by M.S. 298.40

The fact that this constitutional amendment has expired does not mean that any major changes in the taxation of the taconite industry will result.

The modified occupation tax, effective in 1990, was passed in 1987 but delayed until 1990 to avoid any potential conflict with the taconite amendment.

As a result of the taconite amendment and M.S. 298.40, for several years the State of Minnesota and taconite producers were involved in litigation resulting from differing interpretations of the taconite amendment.

Although the State generally prevailed in the litigation, taconite companies paid taxes in excess of the limitation for some years. Prior to 1985, Minnesota law did not provide for occupation tax refunds. Accordingly, substantial credits due the mining companies resulted from application of M.S. 298.40.

Between 1981 and 1989, over $80 million in taxes was either: 1) not collected to reduce credits owed, or 2) refunded to the mining companies. In addition, over $17 million in occupation tax was not assessed because the tax exceeded the M.S. 298.40 limitation. Table 23 on the next page provides more detail.

TABLE 23 - M.S. 298.40 CREDIT SUMMARY
OCCUPATION TAX

	Tax Due Without M.S. 298.40 Limitation	Tax in Excess of M.S. 298.40 Limitation (Not Assessed)	Net Occupation Tax Due	Tax Applied to Prior Year M.S. 298.40 Credits (Not Collected)	Actual Tax Collected	M.S. 298.40 Credit Due
1980-83	$50,689,261	$(13,440,492)	$37,248,769	$(9,682,584)	$27,566,185	$(10,663,672)
1984	33,061,342	(3,145,988)	29,915,354	(19,309,767)	10,605,587	(1,775,324)*
1985	11,080,464	(1,173,776)	9,906,688	(5,836,545)	4,070,143	(2,217,174)*
1986	6,233,533	-0-	6,233,533	(367,787)	5,865,746**	(1,291,552)*
1987	5,355,872	-0-	5,355,872	-0-	5,355,872	(14,594)*
1988	2,993,234	-0-	2,993,234	-0-	2,993,234	(33,711)*
1989	350,732	-0-	350,732	-0-	350,732	(75,301)*
		$(17,760,256)		$(35,196,683)		$(5,407,656)*

SALES AND USE TAX

	Tax Due	Less: Tax Applied to Prior Year M.S. 298.40 Credits (Not Collected)	Actual Tax Collected
1982	$ 7,246,363	$(750,261)	$ 6,496,102
1983	5,765,048	(2,613,605)	3,151,443
1984	7,110,166	(4,283,181)	2,826,985
1985	6,476,570	(4,216,360)	2,260,210
1986	4,890,472	(2,399,142)	2,491,330
1987	5,286,947	(1,827,482)	3,459,465
1988	8,351,535	(1,149,975)	7,201,560
1989	11,112,722	(129,744)	10,982,978
		$(17,369,750)	

RAILROAD GROSS EARNINGS TAX

	Tax Due	Less: Tax Applied to Prior Year M.S. 298.40 Credits (Not Collected)	Actual Tax Collected
1982			
1983	$ 926,207	$(640,512)	$ 285,695
1984	1,678,295	(1,678,295)	-0-
1985	1,985,441	(815,194)**	1,889,462
1986	1,670,756	-0-	855,562
1987	1,404,961	-0-	1,404,961
1988	1,397,211	-0-	1,397,211
1989	-0-	-0-	-0-
		$(3,929,980)	

* This amount refunded when occupation tax due (June 14 of each year)

** Pre-petition bankruptcy liability not collected: Railroad Tax Total; Occupation Tax: $583,557

SUMMARY OF M.S. 298.40 REFUNDS AND CREDITS

	Principal	Interest	Total
Total Taxes not Collected:	$40,651,259	$15,845,174	$56,496,413
Occupation Taxes Refunded:*	5,407,656		5,407,656
Credits from Prior Years (Offset):	14,036,117	4,562,186	18,598,303
TOTALS:	$60,095,012	$20,407,348	$80,502,372

The Taconite Amendment (M.S. 298.40) passed by the voters in 1964, provided a constitutional limitation of certain taxes paid by the taconite industry. This limitation guaranteed the mining industry that for the next 25 years the combined occupation, royalty, excise or sales taxes WOULD NOT exceed comparable taxes paid by other manufacturing companies.

This summary shows the total taxes (occupation, royalty and sales) paid in excess of the guaranteed limitation. These overpayments were either refunded or credited by not collecting taxes due. An additional $17 million in occupation tax was not collected because it exceeded the limitation.

INCOME TAX WITHHOLDING ON MINING AND EXPLORATION ROYALTY M.S. 290.923

Effective January 1, 1990, all payers of mining and exploration royalty are required to withhold and remit to the Department of Revenue an income tax on royalty payments made for use of Minnesota land. The withholding rate is seven percent of the royalty paid during the year.

Royalty is defined as any amount (in money or value of property) received by any person having any right, title or interest in or to any tract of land in this state for permission to explore, mine, take out or remove ore therefrom. The ores subject to the withholding are iron ore, taconite, and other minerals (copper, nickel, gold, etc.) subject to the Net Proceeds Tax. Royalties can include rents, bonus payments, and non-recoverable lease payments.

ROYALTY PAYERS

Royalty payers have the option to apply for a separate Minnesota tax identification number to be used for reporting income tax withholding on mining/exploration royalty rather than combining it with the wage/salary withholding. To apply for a separate identification number, an Application for Tax Identification Number, Form MBA, must be completed and submitted to the Minnesota Department of Revenue. When reporting royalty withholding under its own identification number, separate MW-1, MW-3, and MW-5's must be used.

Royalty payers are obligated to inform recipients of the withholding tax requirement and must provide them with a federal form W-4, exemption certificate. The State of Minnesota uses the federal form because a similar state form is not available. The W-4 informs the payer whether or not to withhold tax from the recipient. Unless the payer receives a W-4, the payer is obligated to withhold tax. Copies of the W-4's received from royalty recipients must be sent to the Minerals Tax Division, P. O. Box 481, Eveleth, MN 55734-0481.

Royalty payments made to the State of Minnesota or other government units are not subject to withholding of income tax. A W-4 is not required.

Royalty payers must provide each royalty recipient with a federal form 1099 MISC by January 31st for the royalty paid during the previous year. The 1099 MISC for the year 1990 has blocks to report the amount of royalty paid, the amount of tax withheld, and to identify the state where the royalty was incurred.

Royalty paid to a simple trust (a trust that distributes all the royalty income to its beneficiaries) is tax exempt unless it elects to have the withholding tax deducted. The trust is entitled to that option but must inform the royalty payer by the use of a W-4 or by a letter of its decision. If the trust chooses the tax exempt status, it then becomes the royalty payer and is subject to the same obligations as previously discussed:

1. The trust becomes responsible for withholding from the beneficiaries.

2. The trust must inform the beneficiaries of the requirements to withhold tax and provide them with a W-4.

3. The trust must provide each beneficiary with the 1099 MISC by January 31st of the following year.

When dealing with large trusts whose shares are traded on the stock market, withholding tax liability is determined as follows:

1. Income tax withholding is not required when royalty is paid to a nominee such as Shearson, Lehman & Hutton (an entity who merely holds title to an interest and passes the benefits of ownership to a third party).

2. Income tax withholding is required, however, when the nominee is an individual or a fiduciary trust and the royalties paid exceed $250 per quarter or $1,000 annually. If the royalty exceeds these amounts, the payer is obligated to withhold the tax unless the nominee furnishes the payer a W-4 exemption certificate.

The MW-3 (Annual Reconciliation of Income Tax Withheld), must be submitted to the Department of Revenue by February 28th, whether tax was withheld or not. The MW-3 must be accompanied by the 1099 MISC forms for each recipient. Royalty payers with over 250 recipients must provide the Department of Revenue with the 1099 MISC information on magnetic tape. Royalty payers with less than 250 recipients can submit the 1099 MISC information on disc or paper copy. It must, however, be consistent with the federal format.

If a separate identification number is used for royalty withholding only, the MW-3 and 1099 MISC, where applicable, must be submitted to:

Minerals Tax Division
P. O. Box 481
Eveleth, MN 55734-0481

If the same identification number is used for both wages and royalty withholding, submit the MW-3 and the 1099 MISC, where applicable, to:

Withholding Tax
Mail Station 1195
St. Paul, MN 55146-1195

Where wages and royalty withholding are combined, a copy of the MW-3 and the 1099 MISC's must also be sent to the Minerals Tax Division at the address mentioned above.

ROYALTY RECIPIENTS

Individuals who had no Minnesota income tax liability in the preceding year and reasonably expect to have no liability for the current year, are exempt from the withholding tax. Nonresident individuals will not incur a Minnesota income tax liability for 1990 if their Minnesota assignable gross income was less than $5,100. The recipient must, however, provide the payer with a W-4.

If tax is incorrectly withheld by the royalty payer, the royalty recipient must file a Minnesota income tax return to obtain a refund.

Royalty recipients are eligible to use percentage depletion on their individual income tax returns as long as that income is not subject to capital gains treatment.

For information previously provided about income tax withholding on mining and exploration royalty, refer to the August, 1989 Minerals Tax News and subsequent November, 1989 update, or the withholding section in the 1989 Minnesota Mining Tax Guide.

QUESTIONS/FORMS

The withholding tax will be administered by the Business Trust Tax Office, Minnesota Department of Revenue, in St. Paul, Minnesota. Inquiries should be directed to:

Technical Support Group
Minnesota Department of Revenue
10 River Park Plaza
Mail Station 4453
St. Paul, MN 55146-4453
1-800-657-3777
(612) 296-6181

Forms can be obtained by contacting:

Forms Distribution
Administrative Services
Minnesota Department of Revenue
10 River Park Plaza
Mail Station 4451
St. Paul, MN 55146-4451
(612) 296-9118

A Minnesota Income Tax Withholding Instruction Booklet is available for assistance in complying with the withholding laws. This booklet is designed for withholding on Minnesota wages, but the general filing requirements also pertain to royalty withholding.

ROYALTY TABLES (Page 34)

The royalty tax was eliminated on all royalty paid after December 31, 1989. Therefore, the explanation provided in prior years has been deleted. However, the royalty tax paid (Table 24) and the royalty cost per ton (Table 25) have been retained.

TABLE 24
IRON ORE, TACONITE & OTHER ORE, ROYALTY TAX
(000's)

Year	Iron Ore Royalty Tax	Taconite Royalty Tax	Other Ore Royalty Tax	Total Revenue
1975	$998	$2,657	2	$3,657
1980	713	4,619	22	5,355
1981	429	5,392	44	5,866
1982	619	4,093	13	4,725
1983	445	2,821	13	3,279
1984	536	4,564	7	5,107
1985	359	3,650	4	4,013
1986	208	2,436	3	2,647
1987	352	1,959	N/A	2,311
1988	194	2,480	N/A	2,674
1989	244	2,645	N/A	2,890
1990*	N/A	N/A	N/A	N/A

*The royalty tax was repealed for all royalty paid after December 31, 1989.

TABLE 25
ROYALTY COST PER TON OF PELLETS PRODUCED

	1970	1975	1980	1982	1984	1985	1986	1987	1988	1989
Industry Production (millions of tons):	35.3	40.8	43.0	23.4	35.7	33.3	25.5	32.1	39.8	39.9
Butler	0.714	1.139	1.815	2.023	1.743	1.954	Closed	Closed	Closed	Closed
Erie (LTV)	0.314	0.954	1.749	2.152	2.161	2.289	2.144	1.897	1.496	1.304
Eveleth	0.949	2.218	3.578	3.751	3.312	3.333	2.808	2.472	2.802	2.439
Hibbing	N/A	N/A	0.875	1.301	0.521	1.209	1.104	0.928	1.028	1.210
Inland	N/A	N/A	1.212	1.528	1.829	1.801	1.613	1.604	1.334	1.381
National	0.549	0.974	1.525	1.764	1.821	2.001	1.825	1.648	1.678	2.051
Reserve*	1.120	1.919	2.820	3.482	3.372	3.087	0.882	Closed	Closed	---
USX-Minntac	0.000	0.171	0.288	0.153	0.334	0.334	0.277	0.268	0.284	0.265
Industry Average:										
Weighted:	0.587	1.019	1.454	2.026	1.693	1.647	1.471	1.288	1.179	1.161
Arithmetic:	0.729	1.229	1.732	2.019	1.886	2.001	1.521	1.469	1.437	1.442

*Reserve's royalty costs per ton are based upon shipments, not production.

SALES AND USE TAX

The sales and use tax became effective on August 1, 1967. Both natural ore mining and taconite facilities are subject to this tax, as are other manufacturing businesses.

Sales and Use taxes are essentially identical. The sales tax is assessed by the vendor at the time of the sale of tangible personal property; the use tax paid by the purchaser (user) is imposed on the use, storage, or consumption of tangible personal property for which no sales tax was assessed (paid) at the time of purchase.

Minnesota's current sales and use tax rate is six percent. All sales and use tax revenue is deposited in the General Fund and is not earmarked for any specific distribution.

The industrial production exemption, M.S. 297A.25, Subd. 9, allows industry to exempt items from sales and use tax that are used or consumed in the production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Items included in the exemption are chemicals, fuels, petroleum products, lubricants, packaging materials, electricity, gas, and steam. Explosives, a major item for the mining industry, are exempt under the chemical classification.

The 1971 Minnesota Legislature approved the production materials exemption M.S. 297A.25, Subd. 15, exclusively for the taconite mining industry. This statute allows for the exemption from sales tax of grinding rods, grinding balls, and mill liners which are substantially consumed in the production of taconite. During the process, this material is added to and becomes a part of the product being processed. For the purpose of the exemption, the term "mill" includes all of the facilities used to reduce and process the ore.

In 1974, the Minnesota Legislature amended the industrial production exemption M.S. 297A.25, Subd. 9, to cover accessory tools. The accessory tool exemption is available to all manufacturing-type businesses. The legislature, in defining what qualifies as an accessory tool, set three standards that must be met: 1) an item must be separate and detachable, 2) it must have a direct effect on the product, and 3) it must have a useful life of less than twelve months. In mining, shovel dipper teeth, shovel bucket lip and lower wing shrouds, cat and grader blade cutting edges, drill bits, and reamers are examples of items that qualify for this exemption.

Effective July 1, 1984, the State of Minnesota instituted a two percent refund of sales tax paid on purchases of capital equipment for new or expanding businesses. In the 1989 special legislative session, the legislature extended the refund to the full six percent of sales tax paid on capital equipment. The 1990 legislative session expanded the definition of capital equipment to cover equipment used to extract raw materials. Previously, only equipment used in the processing plant of a new or expanding business would qualify; now extraction equipment such as drills, shovels, and trucks used to excavate the raw material can qualify.

Only two claims for refund can be filed per year, however, they can be for more than one purchase. The exemption does not apply to the purchase or lease of machinery or equipment to replace existing items, repair or replacement parts of machinery or equipment used to receive or store raw materials.

In the interest of better administrative control, the Department of Revenue authorizes Direct Pay Permits to any concern which supports extensive and varied purchase inventories.

YEAR	SALES TAX	M.S. 298.40 OCCUPATION TAX OFFSET (TAX NOT COLLECTED)	SALES TAX COLLECTED
1983	$5,808,237	$2,613,605	$3,194,632
1984	7,110,166	4,283,181	2,826,985
1985	6,476,570	4,216,360	2,260,210
1986	4,890,472	2,399,142	2,491,330
1987	5,286,947	1,827,482	3,459,465
1988	8,351,535	1,149,975	7,201,560
1989	11,112,722	129,744	10,982,978
1990 Est.	11,000,000	-0-	11,000,000

AD VALOREM TAX ON TACONITE RAILROADS

Prior to 1989, every taconite railroad company operating in the state had to annually pay into the state treasury a sum equal to 3.75 percent of the gross earnings derived from operations within the state.

Beginning with the January 2, 1989 assessment, taconite railroads have been included in the definitions of "common carrier" railroads and will be assessed and taxed on an ad valorem basis pursuant to the sections of Minnesota Statutes 270.80 through 270.88.

The State Assessed Properties Section, Local Government Service Division, of the Minnesota Department of Revenue has developed strict rules governing the valuation, apportionment, and equalization of railroad operating property. These rules have been in effect since 1979 when common carrier railroads went off the gross earnings.

Each railroad is required to file an annual report containing the necessary information for the State Assessed Property Section to complete their valuation and apportionment.

The valuation process utilizes the unit value concept of appraisal. For taconite railroads, this involves calculating a weighted cost indicator of value allowing for depreciation and obsolescence. Items of personal property are then deducted from the net cost indicator to yield a Minnesota taxable value.

This value is then *apportioned* to the various taxing districts where the taconite railroad owns property. The amount of value each taxing district gets is based on an apportionment formula involving three factors: land, miles of track, and the cost of buildings over $10,000.

After the market value has been apportioned to each taxing district, the value is equalized with the other commercial and industrial property on a county-wide basis using an estimated median commercial and industrial sales ratio. A commercial and industrial ratio is developed for each county and applied to that county's taconite railroad market values.

A taconite railroad will then receive tax bills from the county similar to any other taxpayer showing the equalized market value in each taxing district and the amount of taxes due. The first half payment of taxes assessed for the 1989 assessment are due May 15, 1990 with the second half payment due October 15, 1990.

THEN AND NOW

General Information

(Northern Minnesota prices)

	1930	1990
Rent, 5-room apartment	$ 15.00	$ 400.00
Car, new	595.00	11,429.00
Gas Range	39.00	520.00
Paint, 1 gallon	2.61	15.00
Movie Ticket, evening	.25-.50	3.50
Bread, 1# loaf	.06	.89
Milk, 1 quart	.10	1.10
Eggs, 1 dozen	.39	.89
Sugar, 10#	.59	3.08
Roast Beef, per pound	.18	2.49

Minnesota Iron Mining Industry Facts

	1930	1989
Number of Employed Personnel	7,752	5,400
Tons of Ore Shipped or Produced	25,196,155 shipped	40,485,000 produced
Average Wage Paid	$5.33/day	$123.47/day*

*Does not include fringe benefits

M.S. 298.26 TAX ON UNMINED TACONITE

A tax not exceeding $10.00 per acre may be assessed upon the taconite or iron sulfides in any 40-acre tract from which the production of iron ore concentrate is less than 1,000 tons.

The heading on M.S. 298.26 is somewhat misleading in that it refers to a TAX ON UNMINED IRON ORE OR IRON SULFIDES. The tax clearly applies to unmined taconite and has been administered in that manner. The wording "iron ore" does not refer to high-grade natural ore in this instance.

The tax, as presently administered, applies to all iron formation lands on the Mesabi Range. The statutory exemption administered by the county assessor provides that in any year in which at least 1,000 tons of iron ore concentrates are produced from a 40-acre tract or governmental lot, said tract or lot are exempt from the unmined taconite tax. The county assessors have also exempted actual platted townsites that are occupied.

The iron formation lands on the Mesabi Range are divided into two categories by the engineering section of the Minerals Tax Division. This is done through the evaluation of exploration drill hole data submitted by the mining companies.

The categories are listed as follows:

(1) Those lands which are underlain by magnetic taconite of sufficient quantity and grade to be currently economic. They are considered to be "GOOD" taconite and are given a market value of $500.00 per acre.

(2) Lands either not believed or not known to be underlain by magnetic taconite of currently economic quantity and grade. They are considered to be "NO GOOD" taconite and are given a market value of $25.00 per acre.

To be classified as "GOOD" taconite [Category (1)], the taconite must pass the following criteria:

--contain more than 16 percent magnetic iron
--contain less than 10 percent concentrate silica (SiO_2)
--have a 15-25 foot minimum mining thickness
--have a weight recovery of more than 20 percent
--have a stripping ratio of less than four-to-one (waste/concentrate), calculated as follows:

(A) Surface (ft) x 1.5 = Equiv. Ft. Surface

(B) Rock (ft) x 2.25 = Equiv. Ft. Waste

$$\text{(C)}\ \frac{\text{Ore (ft)} \times 2.5}{3} = \text{Equiv. Ft. Concentrate}$$

$$\text{Stripping Ratio} = \frac{\text{(A)} + \text{(B)}}{\text{(C)}}$$

If the material fails any of the above criteria, then it is considered to be "NO GOOD" taconite and classified as category (2).

For payable 1990, the tax is calculated by multiplying the market value for the parcel of land times 5.06 percent (4.95 percent for payable 1991) times the tax capacity tax extension rate for that specific tax area. (NOTE: Call your county assessor for more information).

TABLE 26 - UNMINED TACONITE TAX (YEAR PAYABLE)*

County	1985	1986	1987	1988	1989	1990
Itasca	34,485	36,123	**	**	**	**
St. Louis	286,904	360,546	384,697	392,614	365,244	355,065
Totals:	321,389	396,669	384,697	392,614	365,244	355,065

* Taxes assessed may not be actual amount collected.
** Itasca County has decided not to collect the Unmined Taconite Tax.

AD VALOREM TAX ON AUXILIARY MINING LANDS FOR TACONITE OPERATIONS

Lands and structures actively used for taconite production are exempt from the ad valorem tax and in lieu of property tax, are subject to the production tax. These actively used lands include the plant site, mining pit, stockpiles, tailings pond, and water reservoirs. Also included are lands stripped and ready for mining, but not lands merely cleared of trees. Exemptions are granted by parcel basis to the nearest five acres. Lands adjacent to these facilities, commonly referred to as auxiliary mining lands, are subject to assessment of ad valorem tax administered by the county.

The county assessor is responsible for estimating the market value of auxiliary mining lands and classifying them into one of several property classifications established by Minnesota statutes. The two most common property classifications used on auxiliary mining lands are industrial and timber. In general, lands in close proximity to active taconite operations are assigned the industrial classification while those further away are classified as timber.

	VALUE ($/ACRE)	CLASSIFICATION
1. IRON FORMATION LAND		
A. Land within 1/4 mile of active pit or planned 15-year pit limit without 1/4 mile buffer, whichever limit is greater.	$350	Industrial
B. Excess land (more than 1/4 mile from mining activity or outside 15-year pit limit).		
1. Undisturbed	Same as other private land	Timber or current use
2. Disturbed		
a. Stockpiles	75% of other private land	Timber or current use
b. Abandoned Pits	50% of other private land	Timber or current use
2. OFF-FORMATION LAND		
A. Land within 1/4 mile of mining activity	$250	Industrial
B. Excess land (more than 1/4 mile from mining activity).		
1. Stockpiles	75% of other private land	Timber or current use
2. Tailings Ponds	30% of other private land	Timber or current use

For the industrial classification, the assessor's estimated market value (EMV) is multiplied by a class rate of 5.06 percent to obtain tax capacity which is then multiplied by the local tax rate to calculate tax payable. The class rate for the timber classification, on the other hand, is 1.7 percent of the estimated market value or about one-third the industrial class rate.

These class rates are set by the Minnesota legislature for taxes payable 1990. For payable 1991, the class rates for the industrial and timber classifications are 4.95 percent and 1.6 percent, respectively. Local tax rates are determined by county, local government, and school district spending. For 1990, they range from a low of approximately .9 to a high of approximately 1.60 in St. Louis County.

The above schedule provides for adjustments in both the valuation and classification of auxiliary mining lands located on the iron formation versus off-formation lands as well as further refinements based on the proximity of these lands to active mining operations. It also outlines valuation adjustments to be made on excess lands (those located more than one-quarter mile from mining activity) that have been disturbed by natural ore mining activity. This schedule was implemented in St. Louis County over the past two years and is subject to change as market conditions and/or Minnesota statutes dictate.

AD VALOREM TAX ON UNMINED NATURAL IRON ORE

Since 1909, Minnesota's natural iron ore reserves have been estimated and assessed by the state for ad valorem tax purposes. The actual ad valorem tax levy is set by the county, the school district, and the local township or municipality. The tax levy is collected by the county auditor.

A Minnesota Supreme Court decision in 1936 established the present worth of future profits method for valuing the iron ore reserves. This is accomplished through the use of a complex formula known as the Hoskold Formula. The formula takes into account ore prices and all the various cost factors in determining the value of the unmined ore.

The Department uses a five-year average for allowable costs taken from the occupation tax report each year. A five-year average of the Lake Erie Market Value of iron ore is also used. These averages are used to help reduce fluctuation of value due to sudden cost-price changes.

The following expenses are allowed as a deduction from the Lake Erie Market Value on the computation of present worth (Hoskold Formula):

1a. Mining, normal costs	6. Freight & Marine Insurance
1b. Mining, special costs	7. Marketing Expense
2. Beneficiation	8. Social Security Tax*
3. Miscellaneous (property tax, medical ins., etc.)	9. Ad Valorem Tax (by formula)
	10. Occupation Tax
4. Development (future)	11. Federal Income Tax
5. Plant & Equipment (future)	12. Interest on Development, Plant & Working Capital

*1987 - Social Security Tax is no longer identified as a separate expense, now included under Miscellaneous.

These twelve allowable expense items are deducted from the Lake Erie Market Value to give the Estimated Future Income (per ton). It should be noted that although royalty is allowable as an occupation tax deduction, it is not allowable on Minnesota's ad valorem tax.

The present worth is then determined by multiplying the estimated future income (per ton) by the Hoskold Factor. The Department presently allows a 12 percent risk rate and six percent safe rate which yields the .33971 Hoskold factor when used with a 20-year life. A 20-year life has been used since 1968 as representative of the remaining life of Minnesota's natural iron ore reserves. The resulting value is considered to be Market Value by the Department of Revenue.

The 1988 legislature enacted substantial property tax reform beginning with taxes payable in 1989. The new law starts with market value and applies a statutory classification called "tax capacity percentage" to obtain "tax capacity". In the case of iron ore, this percentage is 5.25 percent. The statutory 5.25 percent is then multiplied by three in accordance with M.S. 273.1104. Thus, the effective tax capacity percentage for iron ore is 15.75 percent. The tax capacity is then normally multiplied by the "tax capacity rate" to determine the tax, providing that no unique reductions apply to the particular taxing district.

The 1989 legislature, in a special session on September 28th and 29th, continued work on the property tax reform issue. An effort was made to reduce the differential between homestead property and business property. Also, further changes in terminology were introduced. The term "class rate" is introduced for taxes payable in 1990. The class rate for Class 5 property which includes unmined iron ore is 5.06 percent. All classes of property with a 5.06 percent class rate have a target class rate of four percent which the governor and legislature will attempt to achieve in future years through a phase-in period. The tax capacity will be the product of the class rate and the market value. The class rate for iron ore must still be multiplied by three in accordance with M.S. 273.1104. The product of the market value and class rate times three must then be multiplied by the local tax rate to determine the tax. The term "tax capacity rate" is replaced by local tax rate. This would once have been called a mill rate.

For taxes payable in 1991, the class rate for Class 5 property is reduced to 4.95 percent. Local tax rates are a function of county, local government, and school district spending. For 1990, they range from a low of approximately .9 to a high of approximately 1.6 in St. Louis County.

Since 1963, the Revenue Department has tried to maintain all ores on the tax rolls, including the uneconomic, underground, and unavailable classifications. A schedule of minimum rates was established in 1963 and major revisions were made in 1974, 1986, and 1988. The "Market Values" for iron ores which do not show a value with the Hoskold Formula are determined from the schedule of minimum rates.

Effective on January 2, 1988 for taxes payable in 1989, a new schedule of minimum rates expressed as Market Value was adopted by the Department. The previous schedule which had been in effect since January 2, 1986 did not fully reflect current conditions in the iron ore industry. The new schedule listing "Market Value" per ton is listed on the following page.

MINIMUM RATES

Open Pit Uneconomic	Ore Classification	Market Value/Ton (Cents)
(Stripping ratio less than five-to-one)	Wash Ore Conc. (OPC)	4.0
	Heavy Media Conc. (HMC)	3.0
	Low Grade (OPPRC)	1.0
Underground Uneconomic		
(Stripping ratio greater than five-to-one)	Underground Conc. >60% Fe (UGC)	.8
	Underground Conc. <60% Fe (UGC)	.6
	Underground Heavy Media (UGHM)	.5
	Low Grade (UGPRC)	.3

Open pit ores which are too high cost to show a value with the Hoskold Formula are assigned minimum values from the open pit classification. Underground and uneconomic ores with stripping ratios exceeding five-to-one are assigned minimum values from that classification. Thus, the market value for underground wash ore with an iron content of less than 60 percent would be calculated as follows:

Number of Tons x .6-Cents/Ton = Market Value

The tax would then be determined using the tax capacity formulas explained previously. A record of iron ore market values and ad valorem taxes assessed since 1976 are listed as follows:

YEAR ASSESSED	MARKET VALUE	YEAR PAYABLE	TAX PAYABLE COUNTY	TAX PAYABLE LOCAL	TOTAL
1976	$26,113,003	1977	$1,741,437	$2,298,178	$4,039,615
1977	26,657,969	1978	1,838,862	2,401,434	4,240,296
1978	28,973,611	1979	1,920,313	2,483,562	4,403,875
1979	30,526,244	1980	2,193,940	2,149,087	4,343,027
1980	26,772,233	1981	1,783,461	1,905,607	3,689,068
1981	25,378,108	1982	1,713,271	2,057,006	3,770,277
1982	22,442,833	1983	1,561,778	1,982,895	3,544,673
1983	20,875,960	1984	1,591,852	2,107,723	3,699,575
1984	17,030,758	1985	1,446,983	1,879,307	3,326,290
1985	14,092,882	1986	1,289,693	1,746,880	3,036,573
1986	11,058,467	1987	1,131,162	1,494,979	2,626,141
1987	8,608,800	1988	915,475	1,456,794	2,372,269
1988	5,771,300	1989	363,721	514,735	878,456
1989	5,808,900	1990	388,950	485,485	874,435

According to the provisions of M.S. 273.1104, a public hearing to review the valuations of unmined iron ore shall be held on the first secular day following the first day of October. The date of this hearing was changed to May 21, 1990 to conform with the new tax laws. This hearing provides an opportunity for representatives of the mining companies and taxing districts to formally protest any of the ore estimates or valuation procedures which they believe to be incorrect. In addition, current conditions and future trends in the iron ore industry are discussed.

Iron ore ad valorem taxes are expected to continue their long decline with a substantial drop occurring during the next two years when the Donora ore body is exhausted.

TAX ON SEVERED MINERAL INTERESTS

Severed mineral interests are those mineral interests that are owned separately from the title to surface interests in real estate. Severed mineral interests are taxed under M. S. 272.039, 272.04, and 273.165, subd. 1 at 25-cents per acre per year times the fractional interest owned. The minimum tax on any mineral interest (usually 40-acre tracts or government lots) regardless of the fractional interest owned, is $2 per tract. No tax is due on mineral interests taxed under other laws relating to the taxation of minerals, such as unmined taconite or iron ore, or mineral interests exempt from taxation under constitutional or related statutory provisions.

Ownership of a specific mineral or group of minerals (such as energy minerals or precious metals)rather than an actual fractional interest of all the minerals does not constitute a "fractional interest". Thus, if one individual reserved all minerals except gas, oil and hydrocarbons, and a second entity reserved the hydrocarbons, each owner would be subject to the full $.25/acre tax.

The severed mineral tax is a property tax that is levied by local taxing authorities in the same manner as other local property taxes. Proceeds from the tax are distributed as follows: 80 percent is returned to local taxing districts where the property is located in the same proportion that the mill rate each local taxing district bears to the total surface mill rate in the area, and 20 percent to the Indian Business Loan Account in the State Treasury for business loans to Indians by the Indian Affairs Council under Minn. Stat. S116J.64 (1988).

The tax on severed mineral interests was enacted in 1973 as part of an act that required owners of these interests to file a document--with the county recorder where the interests were located--describing the mineral interest and asserting an ownership claim to the minerals. The purpose of this requirement was to "identify and clarify the obscure and divided ownership conditions of several mineral interests in this state," Minn. Stat. S93.52. Failure to record severed mineral interests within time limits established by the law results in forfeiture to the state, Minn. Stat. S93.55. In 1979, the Minnesota Supreme Court ruled that the tax, the recording requirements,and the penalty of forfeiture for failing to timely record were constitutional, but also ruled that forfeiture procedures were unconstitutional for lack of sufficient notice and opportunity for hearing. This decision is cited as Contos, Burlington Northern, Inc. U.S. Steel, et al. v. Herbst, Commissioner of Natural Resources, Korda, St. Louis County Auditor, Roemer, Commissioner of Revenue, and the Minnesota Chippewa Tribe, et al., 278 N.W. 2d 732 (1979). The United States Supreme Court refused to hear an appeal requested by one of the plaintiffs. In 1979, shortly after this decision, the Minnesota Legislature amended the law to require notice to the last owner of record and a court hearing before a forfeiture for failure to timely record becomes complete. Under these requirements, court orders have been obtained by the state in several counties declaring the forfeiture of particular severed mineral interests to be complete, and giving title to the state. In 1988, the Legislature amended the law to allow the Commissioner of Natural Resources to lease unregistered severed mineral interests before entry of the court order determining the forfeiture to be complete. However, mining may not commence under such a lease until the court determines that the forfeiture is complete.

In a later case, separate from the Contos case cited above, the Minnesota Supreme Court ruled in 1983 that severed mineral interests owned by the Federal Land Bank of St. Paul were exempt from the state severed mineral tax under a federal law exempting Land Bank real estate from local property taxes. The following table is a summary of revenues from the severed mineral tax from 1982 - 1990:

Fiscal Year Ending 6/30	Total Collections of Affected Counties	Payment to Indian Business Loan Account
1982	$535,552	$107,110
1983	482,009	96,402
1984	438,738	87,748
1985	528,310	105,662
1986	424,474	84,897
1987	373,320	74,664
1988	503,940	100,788
1989	410,854	82,171
1990	476,080	95,216

TAXES ON OTHER MINING AND/OR EXPLORATION

Base Metals	Precious Metals	Energy Minerals
Copper, Nickel, Lead, Zinc, Etc.	Gold, Silver, Platinum Group	Coal, Oil, Gas Uranium

The 1987 Legislature approved a significant reform of the state's mining tax laws, particularly those tax laws relating to all other minerals. All specific taxes on copper-nickel mining were repealed. The tax laws effective for 1987 and all subsequent years detailed in the remainder of this section apply to copper-nickel as well as all other minerals.

TABLE 27
APPLICABLE TAXES FOR BASE & PRECIOUS METALS

Pre-1987 Laws		Post 1987 Current Laws
Yes. 14.5% Less Credits	Occupation Tax	Yes. 9.8% same as Corporate Income Tax (M.S. 298.01)
No	Corporate Income Tax	No
Yes	Ad Valorem Tax (On Value of Ore Reserves)	Repealed (M.S. 273.12 removed tax on ore reserves)
Yes	Ad Valorem Tax (Smelter & Plant Facilities)	Yes (M.S. 272 and 273)
Yes	Severed Mineral Interest	Yes (M.S. 273.165)
No	Production Tax	No
Yes	Sales & Use Tax	Yes (M.S. 297A)
No	Net Proceeds Tax	Yes (2%) (M.S. 298.015)
No	Withholding Tax on Royalty	Yes (M.S. 290.923)

OCCUPATION TAX-CORPORATE INCOME TAX

The Minnesota Constitution, Article X, Section 2 mandates that the state impose an occupation tax on the business of mining. In order to meet this constitutional requirement, the Occupation Tax shall be computed in accordance with the Minnesota Corporate Franchise (Income) Tax beginning with 1990.

The Corporate Income Tax, as changed by the 1987 Legislature, has been reduced from 12% to 9.8% and an alternative minimum tax has been added. The effective corporate tax rate for a base or precious metals mine is expected to be about three percent because of the income allocation for out-of-state sales. The three percent rate could vary somewhat depending upon the impact of the allocation formula. For more information on the Alternative Minimum Tax, refer to M.S. 290.092, Subdivision 4, or contact the Minerals Tax Division.

AD VALOREM TAX

Possibly the most significant change made in the reform of the state's mining tax laws was the removal of any ad valorem tax on the value of minerals other than taconite or iron ore (M.S. 273.12 1987 c 268 art. 9 s 7). The removal of this tax on ore reserves is expected to further encourage the current interest in exploration for base and precious metals. Companies mining any of the above minerals would be subject to the property tax like any other business, i.e., on the value of the land and buildings only.

Machinery such as pumps, motors, grinding mills, etc., is considered personal property and not subject to ad valorem tax. In 1989, the St. Louis County Assessor indicated that new industrial buildings were valued at $25 to $30 per square foot for ad valorem tax purposes. Mill rates are set by the county, local communities, and school districts according to statute, and the tax is administered and collected by the county.

The 1988 legislature enacted a comprehensive property tax reform beginning with taxes payable in 1989. Each classification of property will have a tax capacity based on its market value times tax capacity percentage. The number of classifications of property was reduced. The new property tax formula will tend to reduce property taxes in previously high mill rate areas. Most of the relief will go to non-homestead, commercial, and industrial property which was often highly taxed under the previous formula. Many of the rural counties with mineral exploration potential are high mill rate areas which will receive substantial property tax relief.

For commercial and industrial property, the assessor's estimated market value is multiplied by a class rate of 5.06 percent to obtain gross tax capacity (The first $100,000 of value is at 3.2 percent). This is then multiplied by the local tax rate to calculate tax payable. In St. Louis County, where the majority of Minnesota's mining industry is located, the local tax rates varied from a low of about .9 to a high of approximately 1.60. For more detailed information on assessment of auxiliary mining lands, refer to the section in the guide on "Ad Valorem Tax on Auxiliary Mining Lands for Taconite Operations". For taxes payable in 1991, the class rate for industrial property is reduced to 4.95 percent.

There are some special rules and policies which apply to copper-nickel prospecting and mining leases issued by the Department of Natural Resources. DNR Rules 6 MCAR 1.0094C state that the prospecting permit covers the first two years of the lease. The Commissioner of Revenue has advised all county auditors and assessors that copper-nickel prospecting and mining leases issued by the Department of Natural Resources constitute a taxable interest in real estate. However, the Commissioner further advised that due to the limited nature of the lease interest, the ad valorem tax should not exceed $.25 per acre during the exploration stage. It is possible for the exploration period to extend beyond the initial two-year period. You will have to contact the Department of Natural Resources to determine the status of any leases remaining in effect beyond the initial two-years. Specific terms of the leases may vary, but the tax is to be determined based upon the number of acres made available to the lessee and the fractional interest, if any, that is leased.

WITHHOLDING TAX ON ROYALTY

Beginning 1-1-90, it is required that all persons or companies paying royalty begin to withhold Minnesota income tax from their royalty payments and remit the withholding tax and applicable information to the State of Minnesota, Department of Revenue. See section on Income Tax Withholding on Mining and Exploration Royalty for further information.

SALES & USE TAX

All firms involved in the mining or processing of minerals will be subject to the six percent Sales and Use Tax on all purchases, except those that qualify for the Industrial Production Exemption. This exemption covers items that are used or consumed in the production of personal property to be sold ultimately at retail. Classification of items included in this exemption are chemicals, fuels, petroleum products, lubricants, packing materials, electricity, gas and steam. Explosives, a major expense for mining, are exempt under the chemical classification. New or expanding businesses may qualify for a refund of all or part of the Sales and Use Tax they paid on purchases of capital equipment. For more information, contact the Minerals Tax Division.

NET PROCEEDS TAX

A tax equal to two percent of the net proceeds from mining in Minnesota applies to all mineral and energy resources except sand, silica sand, gravel, building stone, all clays, crushed rock, limestone, granite, dimension stone, horticultural peat, soil, iron ore, and taconite. Net proceeds are the gross proceeds from mining less allowable deductions. The net proceeds tax is effective for taxable years after December 31, 1986, and is due on June 15 of the year succeeding the calendar year of the report.

Additional information is available from the Minerals Tax Division.

Gross Proceeds

1) If the minerals are sold in an arms-length transaction, the gross proceeds are the proceeds from the sale.

2) If the minerals are used by the taxpayer or disposed of in a non-arms-length transaction, such as shipments to a wholly-owned smelter or transactions between affiliated companies, the gross proceeds are determined as follows:

    a) Prices are determined using the average annual price in the Engineering and Mining Journal. If there is no average annual price for the mineral, then an arithmetic average of the monthly or weekly prices published in the Engineering and Mining Journal is used. For minerals not listed in the Engineering and Mining Journal, another recognized published price as determined by the Commissioner of Revenue will be used; and

    b) the price as determined above is multiplied by the amount of the mineral credited or paid for by the smelter. Any special smelter charges included in this price are deducted. The resulting amounts are the gross proceeds for tax calculation.

Net Proceeds

Net proceeds are gross proceeds less certain deductions. Not all expenses, however, are allowed as a deduction.

Unallowable Deductions Include:

-- Sales, marketing, and interest expense.
-- Insurance and tax expense not specifically allowed.
-- Administrative expense outside of Minnesota.
-- Research expense prior to production.
-- Any reserve for reclamation costs after production ends (1990 legislature).
-- Royalty expense, depletion allowances, and the cost of mining land.

Allowable Deductions

Certain ordinary and necessary expenses actually paid for mining, production, processing, beneficiation, smelting or refining are allowed as deductions:

-- Labor, including wages, salaries, fringe benefits, unemployment and workers' compensation insurance.
-- Operating equipment and supplies, including sales and use tax paid. Cost of machinery, equipment, and supplies of a capital nature is deductible as depreciation expense only.
-- Depreciation expense per Section 167 of the I.R.C.
-- Transportation of the minerals if the expense is included in the sales price.
-- Administrative expense inside Minnesota.
-- Exploration, research, or development expense within Minnesota paid in a production year are deductible in that year.
-- Exploration and development expense in Minnesota incurred prior to production must be capitalized and deducted on a straight-line basis over the first five years of production.
-- Reclamation costs paid in a year of production (1990 legislature).

The carryback or carryforward of deductions is not allowed.

Distribution

The net proceeds tax on minerals and energy resources mined or within the taconite tax relief area will be distributed according to the formula provided by M.S. 298.018. Tax paid on minerals and energy resources mined outside of the taconite tax relief area will be deposited in the general fund. Distribution of proceeds will occur on July 15 of each year.

TABLE 28 -- 1991 ACTIVITY SCHEDULE FOR MINING INDUSTRY TAXES

JANUARY -- Ad Valorem Tax Reports mailed to companies. -- Ad Valorem estimates submitted by companies (January - February). 31 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.	FEBRUARY 1 -- Royalty/Withholding Tax Paid Report, MT2-RW, due. 1 -- Taconite Tax Report due from companies. 8 -- Taconite Production Tax determinations mailed to companies. 15-- Ninety percent payment of the Taconite Production Tax due in county offices. 15--Ad Valorem Tax Reports due from mining companies. 25-- Distribution of Taconite Production Tax by counties (collected Feb. 15). 28-- Form MW-3, MN Annual Reconciliation of Income Tax Withheld due.	MARCH 1 -- Occupation Tax Report due from companies. 15 -- Taconite Production Tax final 10 percent tax figure with adjustments mailed to companies.	APRIL 1 -- Owner or lessee of mineral rights submits specific data on drill hole logs and lab tests during previous year for Unmined Taconite Tax. 15 -- Final Taconite Production payment due in the county offices. 15 --Ad Valorem Tax present worth estimates mailed to companies. 30 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.
MAY 1 -- Tentative Determination for Occupation Tax mailed. 15-- If a disagreement on the occupation tax determination exists, a formal written protest must be filed or a hearing held. 15-- Final Taconite Production Tax aid payments made to taxing districts by the counties. 15-- Final taconite production tax payments made by counties (between April 15 and May 15). 15-- First half property tax on taconite railroad property due to counties. 20-- Ad Valorem mineral tax hearing held on first business day after May 20.	JUNE 1 -- Final Occupation Tax Determination mailed to companies. 14-- Full Occupation Tax payment due. 30--Form MW-5 and payment of Income Tax withheld from second quarter Royalty paid is due. Due date dependent upon amount due. 30-- Ad Valorem Tax final adjustments to property equalization sheets mailed to county assessors.	JULY 1 -- Commissioner of Revenue will certify amount of Taconite Municipal Aid to municipality. 15 -- Taconite Referendum distribution of Taconite Production Tax made by the counties. 31 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.	AUGUST -- Form MW-5 and payment of income tax withheld due at varying times each month depending on amount of tax due, i.e., eighth-monthly period or monthly.
SEPTEMBER 15-- Taconite Municipal Aid account funds distributed.	OCTOBER 10-- Taconite Production Tax estimates due from companies. 15-- Second half property tax on taconite railroad property due to counties. 31-- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.	NOVEMBER	DECEMBER 1 -- Minerals Tax Division submits Unmined Taconite Tax Reports to county assessors. 30 -- Occupation Tax forms mailed to companies.

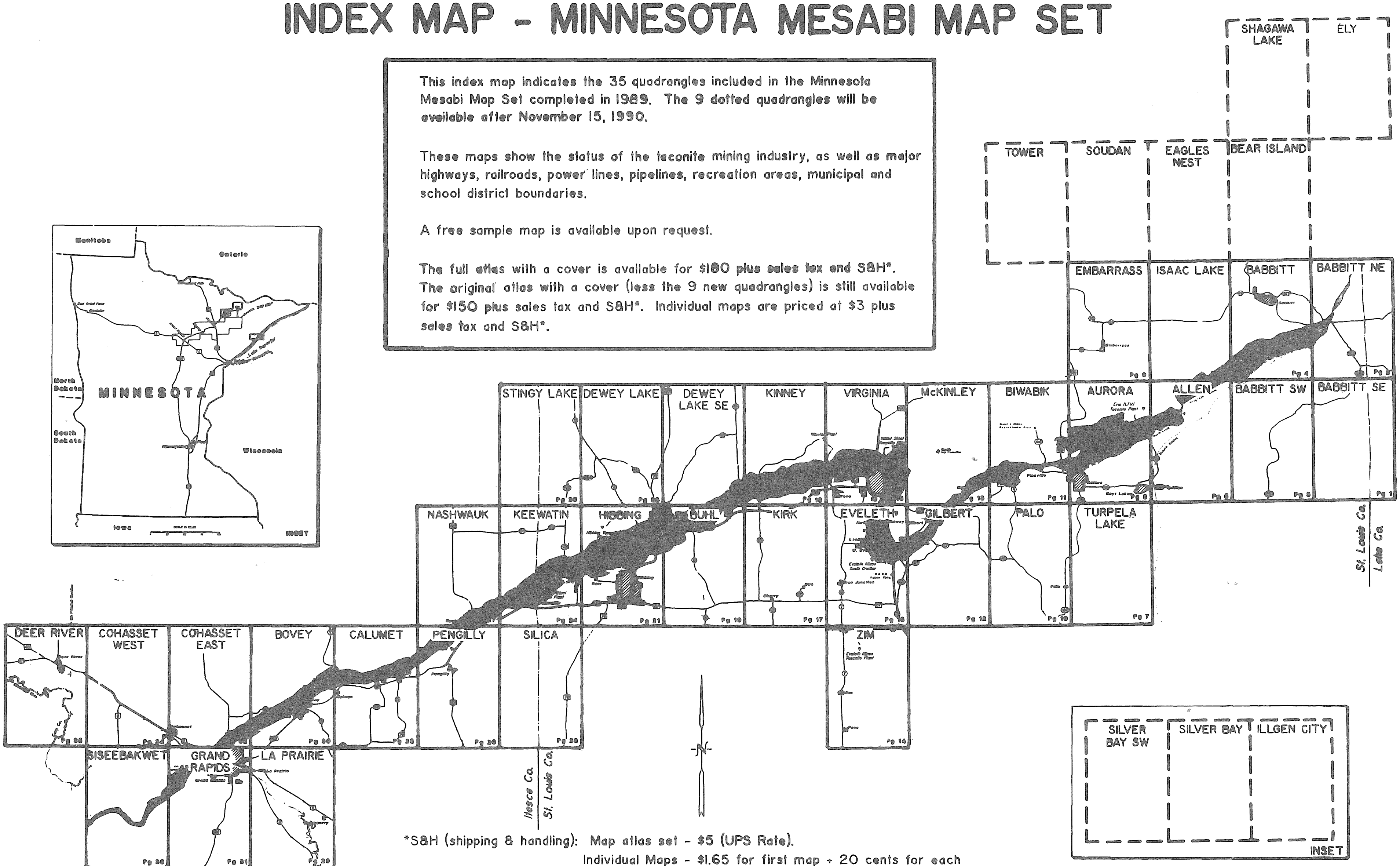
INDEX MAP - MINNESOTA MESABI MAP SET

This index map indicates the 35 quadrangles included in the Minnesota Mesabi Map Set completed in 1989. The 9 dotted quadrangles will be available after November 15, 1990.

These maps show the status of the taconite mining industry, as well as major highways, railroads, power lines, pipelines, recreation areas, municipal and school district boundaries.

A free sample map is available upon request.

The full atlas with a cover is available for $180 plus sales tax and S&H*. The original atlas with a cover (less the 9 new quadrangles) is still available for $150 plus sales tax and S&H*. Individual maps are priced at $3 plus sales tax and S&H*.



*S&H (shipping & handling): Map atlas set - $5 (UPS Rate).
Individual Maps - $1.65 for first map + 20 cents for each additional map up to nine maps (First Class Mail).

Orders can be placed with the Minerals Tax Office. The address and telephone number are on the inside of the back cover.

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