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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3334

03/05/2018 Authored by Layman, Metsa, Davids and Ecklund
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; minerals; providing a credit against the occupation tax;
1.3 amending Minnesota Statutes 2016, section 298.01, by adding a subdivision;
1.4 Minnesota Statutes 2017 Supplement, sections 298.01, subdivision 4; 298.17.

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

1.6 Section 1. Minnesota Statutes 2017 Supplement, section 298.01, subdivision 4, is amended
1.7 to read:

1.8 Subd. 4. Occupation tax; iron ore; taconite concentrates. A person engaged in the
1.9 business of mining or producing of iron ore, taconite concentrates or direct reduced ore in
1.10 this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the
1.11 same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision
1.12 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the
1.13 occupation tax shall be computed by applying to taxable income the rate of 2.45 percent.
1.14 The resulting tax is reduced by the amount of the credit allowed for the taxable year under
1.15 subdivision 4f.

1.16 The tax is in addition to all other taxes.

1.17 EFFECTIVE DATE. This section is effective for taxable years beginning after December
1.18 31, 2017.

1.19 Sec. 2. Minnesota Statutes 2016, section 298.01, is amended by adding a subdivision to
1.20 read:

1.21 Subd. 4f. Credit for production tax paid. (a) A credit is allowed against the tax
1.22 computed under subdivision 4 for the taxable year equal to the least of the following amounts:

- 2.1 (1) the amount paid by the taxpayer under section 298.24 during the taxable year;  
 2.2 (2) 15 cents multiplied by the number of gross tons of merchantable iron ore concentrate  
 2.3 produced in the calendar year prior to the taxable year in which the payment was made  
 2.4 under clause (1); or  
 2.5 (3) the liability for tax under subdivision 4 for the taxable year after deduction of any  
 2.6 carryover credit allowed under paragraph (b).

2.7 (b) If the amount of the credit under this subdivision for the taxable year exceeds the  
 2.8 limitation under paragraph (a), clause (3), the excess is a carryover credit to each of the  
 2.9 following 15 taxable years. The entire amount of the excess unused credit for the taxable  
 2.10 year must be carried first to the earliest of the taxable years to which the credit may be  
 2.11 carried and then to each successive year to which the credit may be carried.

2.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 2.13 31, 2017.

2.14 Sec. 3. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

2.15 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

2.16 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock  
 2.17 companies, corporations, and associations, however or for whatever purpose organized,  
 2.18 engaged in the business of mining or producing iron ore or other ores, when collected shall  
 2.19 be apportioned and distributed in accordance with the Constitution of the state of Minnesota,  
 2.20 article X, section 3, in the manner following: 90 percent shall be deposited in the state  
 2.21 treasury and credited to the general fund of which four-ninths shall be used for the support  
 2.22 of elementary and secondary schools; and ten percent of the proceeds of the tax imposed  
 2.23 by this section shall be deposited in the state treasury and credited to the general fund for  
 2.24 the general support of the university.

2.25 (b) Of the money apportioned to the general fund by this section: (1) there is annually  
 2.26 appropriated and credited to the mining environmental and regulatory account in the special  
 2.27 revenue fund an amount equal to that which would have been generated by a 2-1/2 cent tax  
 2.28 imposed by section 298.24 on each taxable ton produced in the preceding calendar year.  
 2.29 Money in the mining environmental and regulatory account is appropriated annually to the  
 2.30 commissioner of natural resources to fund agency staff to work on environmental issues  
 2.31 and provide regulatory services for ferrous and nonferrous mining operations in this state.  
 2.32 Payment to the mining environmental and regulatory account shall be made by July 1  
 2.33 annually. The commissioner of natural resources shall execute an interagency agreement

3.1 with the Pollution Control Agency to assist with the provision of environmental regulatory  
3.2 services such as monitoring and permitting required for ferrous and nonferrous mining  
3.3 operations; (2) there is annually appropriated and credited to the Iron Range resources and  
3.4 rehabilitation account in the special revenue fund an amount equal to that which would have  
3.5 been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced  
3.6 in the preceding calendar year, to be expended for the purposes of section 298.22; and (3)  
3.7 there is annually appropriated and credited to the Iron Range resources and rehabilitation  
3.8 account in the special revenue fund for transfer to the Iron Range school consolidation and  
3.9 cooperatively operated school account under section 298.28, subdivision 7a, an amount  
3.10 equal to that which would have been generated by a six cent tax imposed by section 298.24  
3.11 on each taxable ton produced in the preceding calendar year. Payment to the Iron Range  
3.12 resources and rehabilitation account shall be made by May 15 annually.

3.13 (c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to  
3.14 provide environmental development grants to local governments located within any county  
3.15 in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,  
3.16 which does not contain a municipality qualifying pursuant to section 273.134, paragraph  
3.17 (b), or (ii) to provide economic development loans or grants to businesses located within  
3.18 any such county, provided that the county board or an advisory group appointed by the  
3.19 county board to provide recommendations on economic development shall make  
3.20 recommendations to the commissioner of Iron Range resources and rehabilitation regarding  
3.21 the loans. Payment to the Iron Range resources and rehabilitation account shall be made by  
3.22 May 15 annually.

3.23 (d) Of the money allocated to Koochiching County, one-third must be paid to the  
3.24 Koochiching County Economic Development Commission.

3.25 (e) Calculation of the available money apportioned to the general fund for the  
3.26 appropriations under paragraphs (b) to (d) must be made without regard to the effects on  
3.27 occupation tax revenues that result from application of the credit in section 298.01,  
3.28 subdivision 4f.

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