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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **1646**

03/20/2013 Authored by Melin, Anzelc, Dill, Metsa and Radinovich
The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; taconite production taxation; modifying the distribution of the proceeds of the tax; imposing a supplemental tax rate to finance a reserve fund; modifying the computation of the homestead credit; authorizing the issuance of bonds; appropriating money; amending Minnesota Statutes 2012, sections 273.135, subdivision 2; 298.225, subdivision 2; 298.24, by adding a subdivision; 298.28, subdivision 4, by adding a subdivision; 298.293; repealing Minnesota Statutes 2012, sections 298.227; 298.28, subdivision 9a.

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

Section 1. Minnesota Statutes 2012, section 273.135, subdivision 2, is amended to read:

Subd. 2. **Reduction amount.** The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a municipality as defined under section 273.134, paragraph (a), 66 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in paragraph (c).

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area under section 273.134, paragraph (b), but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, paragraph (a), 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in paragraph (c).

(c) The maximum reduction of the tax is \$315.10 on property described in paragraph (a) and \$289.80 on property described in paragraph (b), provided that the maximum reduction is increased by \$100 for any property located in a city or an organized town, any portion of which is within eight miles of an active iron ore mine as of July 1 of the year prior to the year in which the credit is paid.

2.1 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable
2.2 in 2014.

2.3 Sec. 2. Minnesota Statutes 2012, section 298.225, subdivision 2, is amended to read:

2.4 Subd. 2. **Funding guaranteed distribution level.** The money necessary for
2.5 funding the difference between the initial distribution made pursuant to section 298.28
2.6 and the amount guaranteed in subdivision 1 is appropriated first from the guarantee trust
2.7 fund under section 298.28, subdivision 11b, to the extent funds are available then, in
2.8 equal proportions from the initial current year distributions to the taconite environmental
2.9 protection fund and to the Douglas J. Johnson economic protection trust pursuant to
2.10 section 298.28. If the initial distributions to the taconite environmental protection fund and
2.11 the Douglas J. Johnson economic protection trust are insufficient to fund the difference,
2.12 the commissioner of Iron Range resources and rehabilitation shall make the payments
2.13 of any remaining difference from the corpus of the taconite environmental protection
2.14 fund and the corpus of the Douglas J. Johnson economic protection trust fund in equal
2.15 proportions as directed by the commissioner of revenue.

2.16 If a taconite producer ceases beneficiation operations permanently and is required
2.17 by a special law to make bond payments for a school district, the Douglas J. Johnson
2.18 economic protection trust fund shall assume the payments of the taconite producer if
2.19 the producer ceases to make the needed payments. The commissioner of Iron Range
2.20 resources and rehabilitation shall make these school bond payments from the corpus of
2.21 the Douglas J. Johnson economic protection trust fund in the amounts certified by the
2.22 commissioner of revenue.

2.23 **EFFECTIVE DATE.** This section is effective January 1, 2014.

2.24 Sec. 3. Minnesota Statutes 2012, section 298.24, is amended by adding a subdivision
2.25 to read:

2.26 Subd. 5. **Supplemental tax; certain years.** (a) In addition to the tax imposed under
2.27 subdivision 1, a supplemental tax applies to production in a calendar year as provided
2.28 under paragraph (c). The tax under this subdivision only applies to plants subject to
2.29 tax under subdivision 1.

2.30 (b) For purposes of this subdivision, "index" means the first release of the annual value
2.31 of the producer price index for iron ore (including crude, concentrates, agglomerates, and
2.32 pellates), as published by the Bureau of Labor Statistics of the United States Department
2.33 of Labor, with an index value of 100 for calendar year 1997, for the calendar year.

(c) The tax under this subdivision applies for each calendar year in which the index for that calendar year exceeds a value of 150. The tax applies to the production for the calendar year at the following rates:

<u>Index for the calendar year:</u>	<u>Tax rate per ton:</u>
<u>less than 150</u>	<u>no tax</u>
<u>greater than or equal to 150, but less than 175</u>	<u>ten cents</u>
<u>greater than or equal to 175, but less than 200</u>	<u>20 cents</u>
<u>greater than or equal to 200</u>	<u>30 cents</u>

(d) Notwithstanding section 298.27, the commissioner shall notify each producer of the tax, if any, due under this subdivision for a calendar year as soon as practicable after the index is published and the commissioner determines that the tax applies to the calendar year and the rate of the tax. Notwithstanding the payment requirements under section 298.27, payment of the entire tax under this subdivision is due on or before August 24.

EFFECTIVE DATE. This section is effective beginning for production year 2013.

Sec. 4. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided in paragraph (d), less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district, must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i). If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

(g) 16.2 cents per taxable ton must be distributed to school districts as provided under paragraph (c), except the amounts received are not subject to section 126C.48, subdivision 8.

EFFECTIVE DATE. This section is effective for the 2015 distribution and thereafter.

Sec. 5. Minnesota Statutes 2012, section 298.28, is amended by adding a subdivision to read:

Subd. 11b. **Supplemental tax; guarantee trust fund.** The proceeds of the tax imposed under section 298.24, subdivision 5, must be allocated to St. Louis County to be

held in trust for the cities, counties, towns, and school districts in the taconite tax relief area to provide a reserve fund for payment of distributions under this section, as provided in sections 298.225 and 298.293. The amounts so held are a trust fund only to be used as provided under sections 298.225 and 298.293.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 298.293, is amended to read:

298.293 EXPENDING FUNDS.

The funds provided by section 298.28, subdivision 11, relating to the Douglas J. Johnson economic protection trust fund, except money expended pursuant to Laws 1982, Second Special Session, chapter 2, sections 8 to 14, shall be expended only in an amount that does not exceed the sum of the net interest, dividends, and earnings arising from the investment of the trust for the preceding 12 calendar months from the date of the authorization plus, for fiscal year 1983, \$10,000,000 from the corpus of the fund. The funds may be spent only in or for the benefit of the taconite assistance area as defined in section 273.1341. If during any year the taconite property tax account under sections 273.134 to 273.136 does not contain sufficient funds to pay the property tax relief specified in ~~Laws 1977, chapter 423, article X, section 4~~ 273.135, there is appropriated first from the guarantee trust fund under section 298.28, subdivision 11b, to the extent funds are available then, from this trust fund to the relief account sufficient funds to pay the relief specified in ~~Laws 1977, chapter 423, article X, section 4~~ 273.135.

EFFECTIVE DATE. This section is effective January 1, 2014.

Sec. 7. **2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive \$6,000,000 of the amount that otherwise would be distributed under Minnesota Statutes, section 298.28, subdivision 6, and this amount must be paid to the city of Hibbing for improvements to the city's water supply system.

EFFECTIVE DATE. This section is effective for the 2013 distribution, all of which must be made in the August 2013 payment.

Sec. 8. **IRON RANGE RESOURCES AND REHABILITATION COMMISSIONER; BONDS AUTHORIZED.**

7.1 Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota
7.2 Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and
7.3 rehabilitation may issue revenue bonds in a principal amount of \$..... in one or more
7.4 series, and bonds to refund those bonds. The proceeds of the bonds must be used to
7.5 make grants to school districts located in the taconite tax relief area defined in Minnesota
7.6 Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes,
7.7 section 273.1341, to be used by the school districts to pay for building projects, energy
7.8 efficiency, technology, infrastructure, health, safety, and maintenance improvements.

7.9 Subd. 2. **Appropriation.** There is annually appropriated from the distribution of
7.10 taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the
7.11 calculation of the amount of the remainder under Minnesota Statutes, section 298.28,
7.12 subdivision 11, an amount sufficient to pay when due the principal and interest on the
7.13 bonds issued pursuant to subdivision 1. The appropriation under this section must
7.14 not exceed one-half of the amount that would have been distributed under Minnesota
7.15 Statutes, section 298.28, subdivision 9a, if that subdivision had not been repealed. The
7.16 appropriation under this subdivision terminates upon payment or maturity of the last of the
7.17 bonds issued under this section.

7.18 Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt
7.19 obligations" and the commissioner of Iron Range resources and rehabilitation is a "district"
7.20 for purposes of Minnesota Statutes, section 126C.55, provided that advances made under
7.21 Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes,
7.22 section 126C.55, subdivisions 4 to 7.

7.23 **EFFECTIVE DATE.** This section is effective the day following final enactment and
7.24 applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

7.25 Sec. 9. **REPEALER.**

7.26 Minnesota Statutes 2012, sections 298.227; and 298.28, subdivision 9a, are repealed.

7.27 **EFFECTIVE DATE.** This section is effective beginning for the 2015 distribution,
7.28 except the distribution for 2014 must equal one-half of the amount of the distribution
7.29 provided by Minnesota Statutes, section 298.24, subdivision 9a. The provisions of
7.30 Minnesota Statutes, section 298.227, requiring repayment of loans, continue in effect until
7.31 the loans and all other obligations are repaid.

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

(a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton beginning with distributions in 2002. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If a proposed expenditure is not approved by at least seven Iron Range Resources and Rehabilitation Board members, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

(b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of distributions and the review process, an amount equal to ten cents per taxable ton of production in 2007, for distribution in 2008 only, that would otherwise be distributed under paragraph (a), may be used for a loan or grant for the cost of providing for a value-added wood product facility located in the taconite tax relief area and in a county that contains a city of the first class. This amount must be deducted from the distribution under paragraph (a) for which a matching expenditure by the producer is not required. The granting of the loan or grant is subject to approval by at least seven Iron Range Resources and Rehabilitation Board members. If the money is provided as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the taconite environment protection fund under sections 298.222 to 298.225. If a loan or grant is not made under this paragraph by July 1, 2012, the amount that had been made available for the loan under this paragraph must be transferred to the taconite environment protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the fund established under this section that exceeds ten cents per ton is available to qualifying producers under paragraph (a) on a pro rata basis.

(c) Repayment or transfer of money to the taconite environmental protection fund under paragraph (b), item (ii), must be allocated by the Iron Range Resources and Rehabilitation Board for public works projects in house legislative districts in the same proportion as taxable tonnage of production in 2007 in each house legislative district, for distribution in 2008, bears to total

APPENDIX

Repealed Minnesota Statutes: 13-2785

taxable tonnage of production in 2007, for distribution in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph do not require approval by the governor. For purposes of this paragraph, "house legislative districts" means the legislative districts in existence on May 15, 2009.

298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.

Subd. 9a. **Taconite economic development fund.** (a) 30.1 cents per ton for distributions in 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in 2004 or any subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.