

CHAPTER 298

OCCUPATION TAXES

298.01	Mining or producing ores.	298.2213	Northeast Minnesota economic development fund.
298.015	Net proceeds tax on mining.	298.24	Tax on taconite and iron sulphides.
298.016	Gross proceeds.	298.25	Taxes additional to other taxes.
298.017	Deductions.	298.28	Division and distribution of proceeds.
298.018	Distribution of proceeds.	298.292	Policy.
298.02	Low-grade ore.	298.296	Operation of fund.
298.026	Credit for research, experimentation, and exploration.	298.40	Taconite and semitaconite, limitations on taxation.
298.027	Costs of mining exceeding value of ore tax credit.	298.51	Repealed.
298.028	Pollution control tax credit.	298.52	Repealed.
298.03	Value of ore; how ascertained.	298.53	Repealed.
298.031	Valuation of ore.	298.54	Repealed.
298.04	Repealed.	298.55	Repealed.
298.08	Procedure when no report is filed; penalty for failure to report.	298.61	Repealed.
298.09	Notices; hearings; determination of amount of tax is final; certiorari.	298.62	Repealed.
298.22	Iron range resources and rehabilitation.	298.63	Repealed.
298.2211	Financing activities.	298.64	Repealed.
		298.65	Repealed.
		298.66	Repealed.
		298.67	Repealed.

298.01 MINING OR PRODUCING ORES.

Subdivision 1. Occupation tax; iron ore; taconite concentrates. Every person engaged in the business of mining or producing iron ore or taconite concentrates in this state shall pay an occupation tax equal to 14 percent of the valuation of the ores produced after December 31, 1986. The tax shall be in addition to all other taxes provided for by law and shall be due on or before June 15 of the year next succeeding the calendar year during which the ore was produced.

Subd. 3. Occupation tax; other ores. Every person engaged in the business of mining or producing ores, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. The tax is measured by the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided in chapter 290, except that section 290.05, subdivision 1, clause (a), does not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Subd. 4. Occupation tax; iron ore; taconite concentrates. A person engaged in the business of mining or producing of iron ore or taconite concentrates shall pay an occupation tax to the state of Minnesota. The tax is measured by the person's taxable income for the year for which the tax is imposed, and computed in the manner and at the rates provided for in chapter 290, except that section 290.05, subdivision 1, clause (a), does not apply. Corporations and individuals shall be subject to the alternative minimum taxes imposed under chapter 290. The tax is in addition to all other taxes and is due and payable on or before June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Subd. 5. If declared unconstitutional. If the taxes imposed in subdivisions 3 and 4 are found unconstitutional by any court of last resort, then persons engaged in the business of mining or producing iron ore or other ores shall pay the occupation taxes imposed in Minnesota Statutes 1986, chapter 298.

History: 1987 c 268 art 9 s 22-25

NOTE: Subdivision 1 is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

NOTE: Subdivision 4, as added by Laws 1987, chapter 268, article 9, section 24, is effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.015 NET PROCEEDS TAX ON MINING.

Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax equal to two percent of the net proceeds from mining in Minnesota. The tax applies to all mineral and energy resources mined or extracted within the state of Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, soil, iron ore, and taconite concentrates. The tax is in addition to all other taxes provided for by law. The tax is due by June 15 of the year succeeding the calendar year covered by the report required by section 298.05.

Subd. 2. **Net proceeds.** For purposes of this section, the term "net proceeds" means the gross proceeds from mining, as defined in section 298.016, less the deductions allowed in section 298.017. No other credits or deductions shall apply to this tax except for those provided in section 298.017.

History: 1987 c 268 art 9 s 26

298.016 GROSS PROCEEDS.

Subdivision 1. **Computation; arms-length transactions.** When a metal or mineral product is sold by the producer in an arms-length transaction, the gross proceeds are equal to the proceeds from the sale of the product. This subdivision applies to sales realized on all metal or mineral products produced from mining, including reduction, beneficiation, or any treatment used by a producer to obtain a metal or mineral product which is commercially marketable.

Subd. 2. **Other transactions.** When a metal or mineral product is used by the producer or disposed of in a non-arms-length transaction, the gross proceeds must be determined using the alternative computation in subdivision 3. Transactions subject to this subdivision include, but are not limited to, shipments to a wholly owned smelter, transactions with associated or affiliated companies, and any other transactions which are not at arms-length.

Subd. 3. **Alternative computation.** The commissioner of revenue shall determine the alternative computation of gross proceeds using the following procedure:

(a)(1) Metal and mineral prices shall be determined by using the average annual market price as published in the Engineering and Mining Journal; (2) For metals or mineral products with a monthly or weekly price quotation in the Engineering and Mining Journal, but for which no average annual price has been published, an arithmetic average of the monthly or weekly prices published in the Engineering and Mining Journal shall be used; (3) If the price of a particular metal or mineral product is not published in the Engineering and Mining Journal, another recognized published price, as established by the commissioner of revenue will be used.

(b) The quantity of each particular metal or mineral product recovered and paid or credited for by the smelter will be multiplied by the average annual market price as determined in clause (a). Special smelter charges for particular metals will be allowed as a deduction from this price. The resulting amount will be the gross proceeds for calculating the tax in section 298.015.

Subd. 4. **Definitions.** For the purposes of sections 298.015 and 298.017, the terms defined in this subdivision have the meaning given them unless the context clearly indicates otherwise.

(a) "Metal or mineral products" means all those mineral and energy resources subject to the tax provided in section 298.015.

(b) "Exploration" means activities designed and engaged in to ascertain the existence, location, extent, or quality of any deposit of metal or mineral products prior to the development of a mining site.

(c) "Development" means activities designed and engaged in to prepare or develop a potential mining site for mining after the existence of metal or mineral products in commercially marketable quantities has been disclosed including, but not limited to,

the clearing of forestation, the building of roads, removal of overburden, or the sinking of shafts.

(d) "Research" means activities designed and engaged in to create new or improved methods of mining, producing, processing, beneficiating, smelting, or refining metal or mineral products.

History: 1987 c 268 art 9 s 27

298.017 DEDUCTIONS.

Subdivision 1. **Deductions not allowed.** For purposes of calculating the net proceeds under section 298.015, the following expenses are not deductible: (1) all sales, marketing, and interest expenses; (2) all insurance expense and taxes, except as specifically provided in this section; (3) all administrative expenses outside of Minnesota; (4) any research expense prior to production; (5) all reclamation expenses after production ends; (6) royalty expenses, depletion allowances, and cost of mining land.

Subd. 2. **Deductions allowed.** (a) In calculating the net proceeds for the purpose of determining the tax provided in section 298.015, only those expenses specifically allowed in this subdivision may be deducted from gross proceeds. The carryback or carryforward of deductions shall not be allowed.

(b) Ordinary and necessary expenses actually paid for the mining, production, processing, beneficiation, smelting, or refining of metal or mineral products for (1) labor, including wages, salaries, fringe benefits, unemployment and workers' compensation insurance; (2) machinery, equipment, and supplies, including any sales and use tax paid on it, except that machinery and equipment subject to depreciation shall only be deductible under clause (b)(3); (3) depreciation as defined and allowed by section 167 of the Internal Revenue Code of 1986, as amended through December 31, 1986; and (4) administrative expenses inside Minnesota are deductible.

(c) Ordinary and necessary expenses of transporting metal or mineral products are allowed as a deduction if the costs are included in the sale price of the products.

(d) Expenses of exploration, research, or development in this state for the mining and processing of minerals within Minnesota paid in a production year are deductible in the production year.

(e) Expenses of exploration and development in Minnesota incurred prior to production must be amortized and deducted on a straight-line basis over the first five years of production.

History: 1987 c 268 art 9 s 28

298.018 DISTRIBUTION OF PROCEEDS.

Subdivision 1. **Within taconite tax relief area.** The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined or extracted within the taconite tax relief area defined in section 273.134 shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted;

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted assessed value per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution

to the adjusted assessed value 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;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted;

(6) 20 percent to St. Louis county acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the iron range resources and rehabilitation board for the purposes of section 298.22;

(8) five percent to the northeast Minnesota economic protection trust fund; and

(9) five percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Subd. 2. **Outside taconite tax relief area.** The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined or extracted outside of the taconite tax relief area shall be deposited in the general fund.

History: 1987 c 268 art 9 s 29

298.02 LOW-GRADE ORE.

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.026 CREDIT FOR RESEARCH, EXPERIMENTATION, AND EXPLORATION.

A tax credit shall be allowed to each taxpayer against the taxes payable by such taxpayer as computed each year under sections 298.01, subdivision 1, and 298.02, for the cost of all research, experimentation, pilot plant tests and exploration work performed in Minnesota in such year for the express purpose of furthering the discovery, development, or beneficiation of Minnesota iron ore or other Minnesota ores.

Such credit shall be computed by applying to such costs and allowances the weighted average net effective rate of all the occupation taxes applicable to such taxpayer for such year imposed pursuant to section 298.01, subdivision 1, after the application of the credits against such occupation taxes allowed under section 298.02, subdivision 1, but before the application of the credit herein provided.

Any such credit shall be applied against the tax for the year for which such credit is computed except that any such credit in excess of such tax shall be applied in like manner in the next year and thereafter from year to year, but not exceeding two years, until the entire credit has been so applied.

The determination as to what type of costs will qualify under this law, and the amount allowable, will be made by the commissioner of revenue who may use the services of the University of Minnesota department of civil and mineral engineering which is hereby established as a technical consultant to the commissioner for the purposes of this section.

History: 1987 c 268 art 9 s 30

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.027 COSTS OF MINING EXCEEDING VALUE OF ORE TAX CREDIT.

A tax credit shall be allowed to each taxpayer against the taxes computed under this chapter where the allowable costs for any mine determined under section 298.03 except taconite and semitaconite exceed the value of the ore at the place where the same is brought to the surface of the earth. The said allowable costs shall not include amounts attributable to or payable by reason of the termination of mining operations.

The credit shall be computed by applying the tax rates specified in section 298.01, subdivision 1, to the excess of such deductions over such value, but limited to; in the

case of open pit iron ore mines, 53.68 percent of the credit so computed and in the case of underground mines, 42.10 percent of the credit so computed.

Such credit shall be allowed for the year in which such excess occurs.

History: 1987 c 268 art 9 s 31

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.028 POLLUTION CONTROL TAX CREDIT.

Subdivision 1. A credit of five percent of the net cost of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules, or standards to the extent the property is so used may be deducted from the tax imposed by section 298.01, subdivision 1, in the first year in which the equipment is installed.

The credit allowed by this subdivision shall not exceed so much of the liability for tax for the taxable year as does not exceed \$75,000. The credit shall apply only if the equipment meets rules prescribed by the Minnesota pollution control agency and is installed or operated in accordance with a permit or order issued by the agency.

[For text of subd 2, see M.S.1986]

History: 1987 c 268 art 9 s 32

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.03 VALUE OF ORE; HOW ASCERTAINED.

Subdivision 1. **General rules.** The valuation of iron or other ores for the purposes of determining the amount of tax to be paid under the provisions of section 298.01, subdivision 1, shall be ascertained by subtracting from the value of such ore, at the place where the same is brought to the surface of the earth, such value to be determined by the commissioner of revenue:

(1) the reasonable cost of supplies used and labor performed at the mine in separating the ore from the ore body, including hoisting, elevating, or conveying the same to the surface of the earth;

(2) if the ore is taken from an open pit mine, an amount for each ton of ore mined or produced during the year equal to the cost of removing the overburden, divided by the number of tons of ore uncovered, the number of tons of ore uncovered in each case to be determined by the commissioner of revenue;

(3) if the ore is taken from an underground mine, an amount for each ton of ore mined or produced during the year equal to the cost of sinking and constructing shafts and running drifts, divided by the number of tons of ore that can be advantageously taken out through such shafts and drifts, the number of tons of ore that can be advantageously taken out in each case to be determined by the commissioner of revenue;

(4) the amount of royalties paid on the ore mined or produced during the year;

(5) for persons mining or producing iron ore the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, the amount of the ad valorem taxes levied and paid for the year against the realty in which the ore is deposited; for all others a percentage of the ad valorem taxes levied and paid for such year against the realty in which the ore is deposited equal to the percentage that the tons mined or produced during such year bears to the total tonnage in the mine;

(6) in the case of taconite, semitaconite, and iron sulphide operations, the tax payable under section 298.24, and that payable under section 298.35, on the concentrates produced in said year and any taxes paid under Laws 1955, chapter 391, 429, 514, 576 or 540, or any other law imposing on such taconite operations a specific tax for school or other governmental purposes;

(7) the amount or amounts of all the foregoing subtractions shall be ascertained and determined by the commissioner of revenue. Deductions for interest on plant

investment shall not exceed the greater of (a) four percent of book value, or (b) the amount actually paid but not exceeding six percent of book value. No subtraction shall be allowed for shrinkage of iron ore.

[For text of subd 2, see M.S.1986]

History: 1987 c 268 art 9 s 33

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.031 VALUATION OF ORE.

[For text of subd 1, see M.S.1986]

Subd. 2. Value of certain ore; how ascertained. (1) The taxpayer shall be given a credit in each taxable year upon the occupation tax assessed in such year upon iron ore or taconite concentrates, under Minnesota Statutes 1957, chapter 298, against a given mine after credit for labor credits has been given, in an amount equal to the occupation tax under said chapter 298 upon an amount produced by multiplying the number of tons of ore sold at a discount by the amount of such discount.

(2) The aggregate amount of all credits allowed under this section to all mines shall not exceed four percent of the aggregate amount of all occupation taxes imposed under section 298.01, subdivision 1, assessed against all mines in the state for said year prior to the deduction of the credit allowed by this section.

(3) The amount of the foregoing subtraction shall be ascertained and determined by the commissioner.

(4) If ore stockpiled from previous years operations is sold at a discount, the discount credit shall be allowed against all ore currently being produced by the same company to the extent that the discount credit is available. Any unused credit may be carried forward and utilized with future years production of ore from the stockpiled property or other properties operated by the same company.

[For text of subds 3 and 4, see M.S.1986]

History: 1987 c 268 art 9 s 34

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.04 [Repealed, 1987 c 268 art 9 s 43]

298.08 PROCEDURE WHEN NO REPORT IS FILED; PENALTY FOR FAILURE TO REPORT.

If any person subject to sections 298.01, 298.015, 298.03, 298.05 to 298.16, and 298.21 fails to make the report provided for in section 298.05 at the time and in the manner provided, the commissioner of revenue shall, upon information the commissioner may possess or obtain, ascertain the kind and amount of ore mined or produced, together with its valuation, and determine the amount of the tax due from such person. There shall be added to the tax a penalty for failure to report, equal to ten percent of the tax imposed which shall be treated as a part of the tax.

History: 1987 c 268 art 9 s 35

298.09 NOTICES; HEARINGS; DETERMINATION OF AMOUNT OF TAX IS FINAL; CERTIORARI.

Subdivision 1. On or before May 1 in each year, the commissioner of revenue shall send to each person subject to occupation taxes under the provisions of section 298.01, as amended, or the net proceeds tax under the provisions of section 298.015, a notice of the amount of the tax so determined to be due. Said notice shall be sent by certified mail and directed to the person at the address given in the report filed by the person, and, if no report has been filed or no address given, then at such address as the

commissioner of revenue may be able to ascertain; but the validity of the tax shall not be affected by the failure of the commissioner of revenue to mail such notice or the failure of the person subject to the tax to receive it.

[For text of subs 2 to 5, see M.S.1986]

History: 1987 c 268 art 9 s 36

298.22 IRON RANGE RESOURCES AND REHABILITATION.

Subdivision 1. (1) The office of commissioner of iron range resources and rehabilitation is created. The commissioner shall be appointed by the governor under the provisions of section 15.06.

(2) The commissioner may hold such other positions or appointments as are not incompatible with duties as commissioner of iron range resources and rehabilitation. The commissioner may appoint a deputy commissioner. All expenses of the commissioner, including the payment of such assistance as may be necessary, shall be paid out of the amounts appropriated by section 298.28. The compensation of the commissioner shall be set by the legislative coordinating commission and may not exceed the maximum salary set for the commissioner of administration under section 15A.081, subdivision 1.

(3) When the commissioner shall determine that distress and unemployment exists or may exist in the future in any county by reason of the removal of natural resources or a possibly limited use thereof in the future and the decrease in employment resulting therefrom, now or hereafter, the commissioner may use such amounts of the appropriation made to the commissioner of revenue in section 298.28 as are determined to be necessary and proper in the development of the remaining resources of said county and in the vocational training and rehabilitation of its residents. For the purposes of this section, "development of remaining resources" includes, but is not limited to, the promotion of tourism.

[For text of subs 2 to 5, see M.S.1986]

History: 1987 c 404 s 162

298.2211 FINANCING ACTIVITIES.

Subdivision 1. **Purpose; grant of authority.** In order to accomplish the legislative purposes specified in sections 469.142 to 469.165 and chapter 462C, within tax relief areas as defined in section 273.134, the commissioner of iron range resources and rehabilitation may exercise the following powers: (1) all powers conferred upon a rural development financing authority under sections 469.142 to 469.149; (2) all powers conferred upon a city under chapter 462C, subject to compliance with the provisions of section 474A.07; (3) all powers conferred upon a municipality or a redevelopment agency under sections 469.152 to 469.165; (4) all powers provided by sections 469.142 to 469.151 to further any of the purposes and objectives of chapter 462C and sections 469.152 to 469.165; and (5) all powers conferred upon a municipality or an authority under sections 469.174 to 469.177, 469.178, except subdivision 2 thereof, and 469.179, subject to compliance with the provisions of section 469.175, subdivisions 1, 2, and 3; provided that any tax increments derived by the commissioner from the exercise of this authority may be used only to finance or pay premiums or fees for insurance, letters of credit, or other contracts guaranteeing the payment when due of net rentals under a project lease or the payment of principal and interest due on or repurchase of bonds issued to finance a project or program, to accumulate and maintain reserves securing the payment when due on bonds issued to finance a project or program, or to provide an interest rate reduction program pursuant to section 469.012, subdivision 7. Tax increments and earnings thereon remaining in any bond reserve account after payment or discharge of any bonds secured thereby shall be used within one year thereafter in furtherance of this section or returned to the county auditor of the county in which the tax increment financing district is located. If returned to the county auditor, the county

auditor shall immediately allocate the amount among all government units which would have shared therein had the amount been received as part of the other ad valorem taxes on property in the district most recently paid, in the same proportions as other taxes were distributed, and shall immediately distribute it to the government units in accordance with the allocation.

[For text of subd 2, see M.S.1986]

Subd. 3. Project approval. All projects authorized by this section shall be submitted by the commissioner to the iron range resources and rehabilitation board, which shall recommend approval or disapproval or modification of the projects. Each project shall then be submitted to the legislative advisory committee for any review and comment the committee deems appropriate. Prior to the commencement of a project involving the exercise by the commissioner of any authority of sections 469.174 to 469.179, the governing body of each municipality in which any part of the project is located and the county board of any county containing portions of the project not located in an incorporated area shall by majority vote approve or disapprove the project. Any project, as so approved by the board and the applicable governing bodies, if any, together with any comment provided by the legislative advisory committee, detailed information concerning the project, its costs, the sources of its funding, and the amount of any bonded indebtedness to be incurred in connection with the project, shall be transmitted to the governor, who shall approve, disapprove, or return the proposal for additional consideration within 30 days of receipt. No project authorized under this section shall be undertaken, and no obligations shall be issued and no tax increments shall be expended for a project authorized under this section until the project has been approved by the governor.

[For text of subs 4 to 6, see M.S.1986]

History: 1987 c 291 s 213,214

IRON RANGE RESOURCES AND REHABILITATION

298.2213 NORTHEAST MINNESOTA ECONOMIC DEVELOPMENT FUND.

Subdivision 1. Appropriation. \$4,000,000 is appropriated from the general fund to the commissioner of iron range resources and rehabilitation. \$300,000 of this appropriation must be used in the same manner as money appropriated under section 298.17.

Subd. 2. Purpose of expenditures. The money appropriated in this section may be used for projects and programs for which technological and economic feasibility have been demonstrated and that have the following purposes:

- (1) creating and maintaining productive, permanent, skilled employment, including employment in technologically innovative businesses; and
- (2) encouraging diversification of the economy and promoting the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism.

Subd. 3. Use of money. The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest set by the Minnesota development board for comparable small business development loans at that time.

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in section 273.134, and as otherwise provided in this section.

Subd. 4. Project approval. The board shall by August 1, 1987, and each year thereafter prepare a list of projects to be funded from the money appropriated in this

section with necessary supporting information including descriptions of the projects, plans, and cost estimates. A project must not be approved by the board unless it finds that:

- (1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;
- (2) the prospective benefits of the expenditure exceed the anticipated costs; and
- (3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members and the commissioner of iron range resources and rehabilitation. The list of projects must be submitted to the legislative advisory commission for its review. The list with the recommendation of the legislative advisory commission must be submitted to the governor, who shall, by November 15 of each year, approve, disapprove, or return for further consideration, each project. The money for a project may be spent only upon approval of the project by the governor.

The board may submit supplemental projects for approval at any time. Supplemental projects must be submitted to the members of the legislative advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by a member is for further review, the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 5. Advisory committees. Before submission to the board of a proposal for a project for expenditure of money appropriated under this section, the commissioner of iron range resources and rehabilitation shall appoint a technical advisory committee consisting of at least seven persons who are knowledgeable in areas related to the objectives of the proposal. If the project involves investment in a scientific research proposal, at least four of the committee members must be knowledgeable in the specific scientific research area relating to the project. Members of the committees must be compensated as provided in section 15.059, subdivision 3. The board shall not act on a proposal until it has received the evaluation and recommendations of the technical advisory committee.

Subd. 6. Use of repayments and earnings. Principal and interest received in repayment of loans made under this section must be deposited in the state treasury and are appropriated to the board for the purposes of this section.

History: 1987 c 386 art 8 s 1

298.24 TAX ON TACONITE AND IRON SULPHIDES.

Subdivision 1. (a) For concentrate produced in 1986 and 1987 there is hereby imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$1.90 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) Except as provided in paragraph (c), for concentrates produced in 1988 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) The provisions of paragraph (b) will not be in effect for concentrates produced in 1988 if the 1988 production is not less than 34,000,000 tons. If the provisions of

paragraph (b) are not in effect for concentrates produced in a year, the rate of the tax for that year's production will be the rate of the tax imposed on the previous year's production. The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$1.90 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(e) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

[For text of subs 2 to 4, see M.S.1986]

History: 1987 c 268 art 9 s 37

298.25 TAXES ADDITIONAL TO OTHER TAXES.

The taxes imposed under section 298.24 shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore. Except as herein otherwise provided, such taxes shall be in lieu of all other taxes upon such taconite and iron sulphides, or the lands in which they are contained, or upon the mining or quarrying thereof, or the production of concentrate therefrom, or upon the concentrate produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production, or upon the lands occupied by, or used in connection with, such mining, quarrying or production facilities. If electric or steam power for the mining, transportation or concentration of such taconite or the concentrates produced therefrom is generated in plants principally devoted to the generation of power for such purposes, the plants in which such power is generated and all machinery, equipment, tools, supplies, transmission and distribution lines used in the generation and distribution of such power, shall be considered to be machinery, equipment, tools, supplies and buildings used in the mining, quarrying, or production of taconite and taconite concentrates within the meaning of this section. If part of the power generated in such a plant is used for purposes other than the mining or concentration of taconite or the transportation or loading of taconite or the concentrates thereof, a proportionate share of the value of such generating facilities, equal to the proportion that the power used for such other purpose bears to the generating capacity of the plant, shall be subject to the general property tax in the same manner as other property; provided, power generated in such a plant and exchanged for an equivalent amount of power which is used for the mining, transportation, or concentration of such taconite or concentrates produced therefrom, shall be considered as used for such purposes within the meaning of this section. Nothing herein shall prevent the assessment and taxation of the surface of reserve land containing taconite and not occupied by such facilities or used in connection therewith at the value thereof without regard to the taconite or iron sulphides therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite or iron sulphides in such lands in the manner provided by law, nor the assessment and taxation of facilities used in producing sulphur or sulphur products from iron sulphide concentrates, or in refining such sulphur products, under the general property tax laws. Nothing herein shall except from general taxation or from taxation as provided by other

laws any property used for residential or townsite purposes, including utility services thereto.

History: 1987 c 268 art 9 s 38

NOTE: This section, as amended by Laws 1987, chapter 268, article 9, section 38, is effective for taxable years beginning after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.

[For text of subs 1 to 3, see M.S.1986]

Subd. 4. **School districts.** (a) 27.5 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c).

(b) 5.5 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.

(c)(i) 22 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 wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted assessed value per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution to the adjusted assessed value 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 that is less than the amount of its levy reduction under section 275.125, subdivision 9, 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).

(d) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by paragraph (c) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in paragraph (c) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988, the increase over the amount established for 1987 shall be determined as if there had been an increase in the tax rate under section 298.24, subdivision 1, paragraph (b), according to the increase in the implicit price deflator. On July 15, 1989, and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). Each district shall receive the product of:

(i) \$150 times the pupil units identified in section 124.17, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1-3/4 mills times the district's taxable valuation in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the amount certified pursuant to section 124A.03, subdivision 2, in the previous year, to the product of 1-3/4 mills times the district's taxable valuation 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 \$150 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 foundation aids which the district is entitled to receive pursuant to section 124A.02 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 northeast Minnesota economic protection trust fund as provided in subdivision 11.

(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.

[For text of subs 5 and 6, see M.S.1986]

Subd. 7. Iron range resources and rehabilitation board. Three cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. The amount determined in this subdivision shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1, and shall be increased in 1989 and subsequent years according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. The amount distributed pursuant to this subdivision shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor and the legislative advisory commission.

[For text of subs 8 and 9, see M.S.1986]

Subd. 10. Increase. The amounts determined under subdivisions 6, paragraph (a), and 9 shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. Those amounts shall be increased in 1989 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraphs (b) and (c) for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987.

[For text of subs 11 to 13, see M.S.1986]

Subd. 14. [Repealed, 1987 c 268 art 9 s 43]

Subd. 15. Distribution of delayed payments. Notwithstanding any other provision of this section or any other law, if payment of taxes collected under section 298.24 is delayed past the due date because the taxpayer is a debtor in a pending bankruptcy proceeding, the amount paid shall be distributed as follows when received:

- (1) 50 percent to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136;
- (2) 25 percent to the northeast Minnesota economic protection trust fund; and
- (3) 25 percent to the taconite environmental protection fund.

History: 1987 c 268 art 9 s 39-42

NOTE: The amendment to subdivision 4, clause (c)(ii) by Laws 1987, chapter 268, article 9, section 39 is effective for taxable years beginning after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.292 POLICY.

Subdivision 1. Purposes. The legislature is cognizant of the severe economic dislocations and widespread unemployment that result when a single industry on which an area is largely dependent, experiences a drastic reduction in activity. The northeast Minnesota economic protection trust fund is hereby created to be devoted to economic rehabilitation and diversification of industrial enterprises where these conditions ensue as the result of the decline of such a single industry. Priority shall be given to using the northeast Minnesota economic protection trust fund for the following purposes:

(1) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;

(2) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism; and

(3) projects and programs for which technological and economic feasibility have been demonstrated.

Subd. 2. Use of money. Money in the northeast Minnesota economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; and

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the northeast Minnesota economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the northeast Minnesota economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the northeast Minnesota economic protection trust fund.

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134.

History: 1987 c 386 art 8 s 2

298.296 OPERATION OF FUND.

[For text of subd 1, see M.S.1986]

Subd. 2. **Expenditure of funds.** Before January 1, 2002, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust. On and after January 1, 2002, funds may be expended on projects and for administration from any assets of the trust. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

[For text of subd 3, see M.S.1986]

History: 1987 c 386 art 8 s 3

298.40 TACONITE AND SEMITACONITE, LIMITATIONS ON TAXATION.

NOTE: This section is repealed by Laws 1987, chapter 268, article 9, section 43, clause (c) effective for iron ore and taconite concentrates mined after December 31, 1989. See Laws 1987, chapter 268, article 9, section 44.

298.51 [Repealed, 1987 c 268 art 9 s 43]

298.52 [Repealed, 1987 c 268 art 9 s 43]

298.53 [Repealed, 1987 c 268 art 9 s 43]

298.54 [Repealed, 1987 c 268 art 9 s 43]

298.55 [Repealed, 1987 c 268 art 9 s 43]

298.61 [Repealed, 1987 c 268 art 9 s 43]

298.62 [Repealed, 1987 c 268 art 9 s 43]

298.63 [Repealed, 1987 c 268 art 9 s 43]

298.64 [Repealed, 1987 c 268 art 9 s 43]

298.65 [Repealed, 1987 c 268 art 9 s 43]

298.66 [Repealed, 1987 c 268 art 9 s 43]

298.67 [Repealed, 1987 c 268 art 9 s 43]