

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) funds set aside during production years to pay for 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, 1996;

(4) administrative expenses inside Minnesota; and

(5) reclamation costs actually incurred in Minnesota and paid in a year of production, including the payment of bonds required by the provisions of an environmental permit issued by the state of 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; 1990 c 604 art 10 s 16; 1994 c 587 art 1 s 22; 1995 c 264 art 1 s 4; 1997 c 231 art 6 s 24