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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-NINTH SESSION

**H. F. No. 650**

02/05/2015 Authored by Anzele

The bill was read for the first time and referred to the Committee on Mining and Outdoor Recreation Policy

03/23/2015 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; minerals; distributing the proceeds of production taxes on  
1.3 taconite and iron sulphides and merchantable iron ore concentrate produced  
1.4 therefrom; amending Minnesota Statutes 2014, section 298.28, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2014, section 298.28, subdivision 2, is amended to read:

1.7 Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of  
1.8 merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount  
1.9 provided in paragraph ~~(e)~~ (d), must be allocated to the city or town in the county in which  
1.10 the lands from which taconite was mined or quarried were located or within which the  
1.11 concentrate was produced. If the mining, quarrying, and concentration, or different steps  
1.12 in either thereof are carried on in more than one taxing district, the commissioner shall  
1.13 apportion equitably the proceeds of the part of the tax going to cities and towns among  
1.14 such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to  
1.15 the operation of mining or quarrying the taconite, and the remainder to the concentrating  
1.16 plant and to the processes of concentration, and with respect to each thereof giving due  
1.17 consideration to the relative extent of such operations performed in each such taxing  
1.18 district. The commissioner's order making such apportionment shall be subject to review  
1.19 by the Tax Court at the instance of any of the interested taxing districts, in the same  
1.20 manner as other orders of the commissioner.

1.21 (b) Four cents per taxable ton shall be allocated to cities and organized townships  
1.22 affected by mining because their boundaries are within three miles of a taconite mine pit  
1.23 that has been actively mined in at least one of the prior three years. If a city or town is  
1.24 located near more than one mine meeting these criteria, the city or town is eligible to

2.1 receive aid calculated from only the mine producing the largest taxable tonnage. When  
2.2 more than one municipality qualifies for aid based on one company's production, the  
2.3 aid must be apportioned among the municipalities in proportion to their populations.  
2.4 The amounts distributed under this paragraph to each municipality must be used for  
2.5 infrastructure improvement projects. The following unorganized territories in St. Louis  
2.6 County qualify for allocations under this paragraph:

2.7 (1) 56-17;

2.8 (2) 58-22;

2.9 (3) 59-16;

2.10 (4) 59-21;

2.11 (5) 60-18; and

2.12 (6) 60-19.

2.13 Allocations to an unorganized territory must be based on the production of the taconite  
2.14 mine pit nearest to that unorganized territory, provided that the total allocation based on  
2.15 production of that taconite mining pit must be increased in an amount sufficient to prevent  
2.16 the allocation for an unorganized territory from reducing the allocation to any other  
2.17 municipality. Allocations for an unorganized territory are made to the county, which must  
2.18 use the amount allocated for public infrastructure for the unorganized territory.

2.19 (c) Unless otherwise receiving an allocation under paragraph (b), four cents per  
2.20 taxable ton shall be allocated to cities and organized townships affected by the production  
2.21 of merchantable iron ore concentrate because their boundaries are within three miles of  
2.22 a scam iron ore concentrate facility engaged in production of merchantable iron ore  
2.23 concentrate that has been actively producing or otherwise engaged in the production of  
2.24 merchantable iron ore concentrate in at least one of the prior three years. If a city or town  
2.25 is located near more than one merchantable iron ore concentrating facility meeting these  
2.26 criteria, the city or town is eligible to receive aid calculated from only the merchantable  
2.27 iron ore concentrating facility producing the largest taxable tonnage. When more than  
2.28 one municipality qualifies for aid based on one company's production, the aid must be  
2.29 apportioned among the municipalities in proportion to their populations. The amounts  
2.30 distributed under this paragraph to each municipality must be used for infrastructure  
2.31 improvement projects.

2.32 (d) The amount that would have been computed for the current year under Minnesota  
2.33 Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed to  
2.34 the cities and townships within the school district in the proportion that their taxable net  
2.35 tax capacity within the school district bears to the taxable net tax capacity of the school  
2.36 district for property taxes payable in the year prior to distribution.

3.1 **EFFECTIVE DATE.** This section is effective beginning with the 2016 distribution.