

## CHAPTER 441—S.F.No. 2280

*An act relating to taxation; exempting certain construction materials from the sales tax; imposing levy limits on certain towns and cities; altering provisions governing distribution of certain taconite tax proceeds; reducing the taconite railroad gross earnings tax rate; providing for the deduction of taconite production taxes and transportation costs; providing for a loan guarantee; appropriating money; amending Minnesota Statutes 1984, sections 275.125, subdivision 9; 275.50, subdivision 2; 275.51, subdivisions 3f and 3i; 294.23; 298.225, by adding a subdivision; 298.24, subdivision 1; and 298.282, subdivision 2; Minnesota Statutes 1985 Supplement, sections 294.22; 297A.15, subdivision 5; 297A.257, by adding a subdivision; 298.03; 298.225, subdivision 1; and 298.28, subdivision 1.*

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

Section 1. Minnesota Statutes 1984, section 275.125, subdivision 9, is amended to read:

Subd. 9. **LEVY REDUCTIONS; TACONITE.** (1) Reductions in levies pursuant to subdivision 10 of this section, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 294.21 to 294.26; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 1, paragraph (3)(b)(ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; 477A.15; and any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under section 124A.03, subdivision 1 sections 124A.03, subdivision 2, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a, to the total levy allowed the district under this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, ~~and 124A.14, subdivision 5a,~~ and 124A.20, subdivision 2, in the year in which the levy is certified.

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(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.03, subdivision 1, to an amount less than the amount raised by a levy of 12.5 mills times the adjusted assessed valuation of that district for the preceding year as determined by the equalization aid review committee. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2 shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by subdivision 11a, and the community service levy authorized by subdivision 8, the commissioner shall ascertain from each affected school district the amount it proposes to levy for capital expenditures pursuant to subdivision 11a and for community services pursuant to subdivision 8. The reduction of the capital expenditure levy and the community services levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 294.21 to 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67 except an amount distributed under section 298.28, subdivision 1, paragraph (3)(b)(ii); or any law imposing a tax on severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; and not deducted from foundation aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the ~~commissioner of finance~~ St. Louis county auditor in the following amount by March 15 of each year except 1986, the amount required to be subtracted from the previous fiscal year's foundation aid pursuant to section 124A.035, subdivision 5, which is in excess of the foundation aid earned for that fiscal year. The ~~commissioner of finance~~ county auditor shall deposit any amounts received pursuant to this clause in the ~~taconite property tax relief fund in the state treasury, established pursuant to section 16A.70~~ St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 2. Minnesota Statutes 1984, section 275.50, subdivision 2, is amended to read:

Subd. 2. **GOVERNMENTAL SUBDIVISION.** (a) "Governmental subdivision" means a county, home rule charter city, or statutory city, except a home rule charter or statutory city that has a population of less than 5,000 according to the most recent federal census.

(b) "Governmental subdivision" also includes any city or town that receives a distribution from the taconite municipal aid account in the levy year.

Sec. 3. Minnesota Statutes 1984, section 275.51, subdivision 3f, is amended to read:

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Subd. 3f. **LEVY LIMIT BASE.** (a) The property tax levy limit base for governmental subdivisions for taxes levied in 1983 shall be calculated by adding the following amounts:

(1) the property tax permitted to be levied in 1982 for taxes payable in 1983 pursuant to Minnesota Statutes 1982, section 275.51, subdivision 3e; plus

(2) the amount of any payments the governmental subdivision was certified to receive in 1983 pursuant to Minnesota Statutes 1982, sections 477A.011 to 477A.03; plus

(3) the amount of any payments certified to the governmental subdivision in 1983 pursuant to Minnesota Statutes 1982, sections 298.28 and 298.282; plus

(4) the difference between the amount certified to the governmental subdivision in 1983 and the amount certified in 1984 pursuant to section 273.138; plus

(5) any amount levied as a special assessment to cover the costs of municipal operation and maintenance activities for the taxes payable year 1983; and

(6) the amount of any base adjustment authorized by the commissioner of revenue pursuant to subdivision 3g.

(b) For taxes levied in 1984 and subsequent years, a governmental subdivision's levy limit base is equal to its adjusted levy limit base for the preceding year provided that, for taxes levied in 1984, the levy limit base of a county containing a city of the first class shall be increased by the amount paid to the county under section 273.138 in 1984 less the amount that will be paid to it under section 273.138 in 1985.

(c) The property tax levy limit base for cities and towns defined as a governmental subdivision only under section 275.50, subdivision 2, paragraph (b), for taxes levied in 1986 shall be calculated by adding the following amounts:

(1) the property tax levied in 1985 for taxes payable in 1986, exclusive of any levies for debt service; plus

(2) the amount of any payments the governmental subdivision was certified to receive in 1986 pursuant to Minnesota Statutes 1985 Supplement, sections 477A.011 to 477A.03; plus

(3) the amount of any payments certified to the governmental subdivision in 1986 pursuant to Minnesota Statutes 1984, section 298.282, and Minnesota Statutes 1985 Supplement, section 298.28; plus

(4) any amount levied as a special assessment to cover the costs of municipal operation and maintenance activities for the taxes payable year 1986.

For taxes levied in 1987 and subsequent years, the levy limit base of a governmental subdivision defined only in section 275.50, subdivision 2, paragraph (b), is equal to its adjusted levy limit base for the preceding year.

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Sec. 4. Minnesota Statutes 1984, section 275.51, subdivision 3i, is amended to read:

Subd. 3i. **LEVY LIMITATION.** The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3h, reduced by (a) the total amount of local government aid that the governmental subdivision has been certified to receive pursuant to sections 477A.011 to 477A.014; (b) taconite aids pursuant to sections 298.28 and 298.282 including any aid received in the levy year which was required to be placed in a special fund for expenditure in the next succeeding year; (c) state reimbursements for wetlands and native prairie property tax exemptions pursuant to sections 273.115, subdivision 3 and 273.116, subdivision 3; and (d) payments in lieu of taxes to a county pursuant to section 477A.12 which are required to be used to provide property tax levy reduction certified to be paid in the calendar year in which property taxes are payable. If the sum of the taconite aids deducted exceeds the adjusted levy limit base, the excess must be used to reduce the amounts levied as special levies pursuant to section 275.50, subdivisions 5 and 7. The commissioner of revenue shall notify a governmental subdivision of any excess taconite aids to be used to reduce special levies.

As provided in section 298.28, subdivision 1, one cent per taxable ton of the amount distributed under section 298.28, subdivision 1, clause (4)(c) shall not be deducted from the levy limit base of the counties that receive that aid. The resulting figure is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

For taxes levied in 1987 and subsequent years, the levy limit for a county as calculated under paragraph (b) shall be decreased by an additional amount equal to the reduction in the distribution to the county under Minnesota Statutes, section 298.28, from the 1986 distribution to the 1987 distribution.

Sec. 5. Minnesota Statutes 1985 Supplement, section 294.22, is amended to read:

#### 294.22 GROSS EARNINGS TAX; COMPUTATION.

Every company owning or operating any taconite railroad shall pay annually into the state treasury a sum of money equal to ~~five~~ 3.75 percent of the gross earnings derived from the operation of such taconite railway within the state. The gross earnings of such a taconite railroad company from the transportation of taconite concentrates from the Mesabi Range to ports on Lake Superior, for all purposes hereof, shall be a sum of money equal to the amount which would be charged under established tariffs of common carriers for the transportation of an equal tonnage of iron ore or taconite concentrates, whichever is shipped from Mesabi Range points to ports at the head of Lake Superior, including the established charges for loading such ore on boats. For all purposes of chapter 298 the rate of the gross earnings as so calculated shall be treated as the cost of transportation of such concentrates or iron ore between such points. If such a taconite

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railroad company transports coal or any other commodity, except taconite concentrates, its gross earnings shall include an amount equal to the established tariffs of common carriers for the transportation of the same quantities of similar commodities for corresponding distances, not, however, including any such charges for any such commodities used or intended to be used in the construction, operation or maintenance of such railroad.

Sec. 6. Minnesota Statutes 1984, section 294.23, is amended to read:

**294.23 COMPANIES LIABLE FOR TAX.**

If a company producing concentrates from taconite shall transport the taconite in the course of the concentrating process and before such concentrating process is completed to a concentrating plant located within the state over a railroad which is not a common carrier and shall not use a common carrier or taconite railroad company as defined in section 294.21 for the movement of the concentrate to a point of consumption or port for shipment beyond the state, then such company nevertheless shall pay annually into the state treasury a tax equal to ~~five~~ 3.75 percent of the amount which would be charged for the transportation of such concentrates produced by such taconite company as if such concentrates were transported by a common carrier under established tariffs of common carriers from the Mesabi Range or other iron range point nearest to the mine at which such taconite is quarried to ports at the head of Lake Superior, including established charges for loading such ore on boats. For the purposes of sections 294.24 to 294.28, such a company shall be considered a taconite railroad company.

Sec. 7. Minnesota Statutes 1985 Supplement, section 297A.15, subdivision 5, is amended to read:

Subd. 5. **REFUND; APPROPRIATION.** Notwithstanding the provisions of sections 297A.02, subdivision 2, and 297A.257 the tax on sales of capital equipment, and construction materials and supplies under section 297A.257, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the rates under section 297A.02, subdivision 2, or the exemption under section 297A.257 shall be paid to the purchaser. In the case of building materials qualifying under section 297A.257 where the tax was paid by a contractor, application must be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.02, subdivision 2, or capital equipment or construction materials and supplies under section 297A.257. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section

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297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

Sec. 8. Minnesota Statutes 1985 Supplement, section 297A.257, is amended by adding a subdivision to read:

**Subd. 2a. EXEMPTION FOR CONSTRUCTION MATERIALS.**

Construction materials and supplies are exempt from the tax imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if all of the following conditions are met:

(1) the materials and supplies are used or consumed in constructing a new manufacturing facility or expanding an existing one in a distressed county;

(2) the total capital investment made within a three-year period exceeds \$75,000,000.

A county is a distressed county for purposes of a project qualifying under this subdivision if it was designated as a distressed county at the time the initial contract to purchase the materials and supplies was executed.

Sec. 9. Minnesota Statutes 1985 Supplement, section 298.03, is amended to read:

**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 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;

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(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, ~~but not exceeding 25 cents per taxable ton,~~ 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.

Subd. 2. SPECIAL TRANSPORTATION COSTS. With respect to transportation costs incurred after June 30, 1986, if the ore is not transported using the Great Lakes Seaway system, the commissioner must allow, as a deduction in computing the valuation of the ore, the reasonable cost of transportation of the ore to its destination. This subdivision does not affect the valuation of ore shipped using the Great Lakes Seaway system.

Sec. 10. Minnesota Statutes 1985 Supplement, section 298.225, subdivision 1, is amended to read:

#### 298.225 APPROPRIATION.

Subdivision 1. For distribution of taconite production tax in ~~1985~~ 1987 and thereafter with respect to production in ~~1984~~ 1986 and thereafter, the ~~recipients~~ distribution of the taconite production tax as provided in section 298.28, subdivision 1, clauses (1) to (4) and (5)(b), ~~(5)(c)~~, (6), and (7)(a), shall ~~receive distributions~~ equal to the lesser of the following amounts:

(1) the amount distributed ~~to them~~ pursuant to this section and section 298.28, subdivision 1, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

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(2)(i) for the distributions made pursuant to section 298.28, subdivision 1, clauses (3)(a), (3)(b), and (5)(c), 50 percent of the amount distributed pursuant to this section and section 298.28, subdivision 1, with respect to 1983 production.

(ii) for the distributions made pursuant to section 298.28, subdivision 1, clauses (4)(a) and (4)(b), 75 percent of the amount distributed pursuant to this section and section 298.28, subdivision 1, with respect to 1983 production.

Sec. 11. Minnesota Statutes 1984, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1986 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 ~~\$1.25 cents~~ \$1.90 per gross ton of merchantable iron ore concentrate produced therefrom. ~~The tax on concentrates produced in 1978 and subsequent years prior to 1985 shall be equal to \$1.25 multiplied by the steel mill products index during the production year, divided by the steel mill products index in 1977. The index stated in code number 1013, or any subsequent equivalent, as published by the United States Department of Labor, Bureau of Labor Statistics Wholesale Prices and Price Indexes for the month of January of the year in which the concentrate is produced shall be the index used in calculating the tax imposed herein. In no event shall the tax be less than \$1.25 per gross ton of merchantable iron ore concentrate. The tax on concentrates produced in 1985 and 1986 shall be at the rate determined for 1984 production.~~

(b) Except as provided in paragraph (c), for concentrates produced in 1987 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.

(b) On concentrates produced in 1984, an additional tax is imposed equal to eight-tenths of one percent of the total tax imposed by clause (a) per gross ton for each one percent that the iron content of such product exceeds 62 percent, when dried at 212 degrees Fahrenheit.

(e) The tax imposed by this subdivision on concentrates produced in 1984 shall be computed on the production for the current year. The tax on concentrates produced in 1985 shall be computed on the average of the production for the current year and the previous year.

(c) The provisions of paragraph (b) will not be in effect for concentrates produced in 1987 if the 1987 production is not less than 33,000,000 tons, and

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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 ~~on concentrates produced in 1986 and thereafter~~ 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 ~~\$1.25~~ \$1.90 per gross ton of merchantable iron ore concentrate produced shall be imposed.

Sec. 12. Minnesota Statutes 1985 Supplement, section 298.28, subdivision 1, is amended to read:

Subdivision 1. **DISTRIBUTION.** The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certification of the commissioner of revenue, be allocated as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) (a) 12.5 cents per taxable ton, less any amount distributed under clause (7), paragraph (a), and paragraph (b) of this clause, to be distributed as provided in section 298.282.

(b) An amount annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore. The amount will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of the township's January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum

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of its current assessed value plus the difference determined in (1). The county auditor shall extend the township's or city's levy against the sum of the township's or city's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value in the case of a township and between 50 percent of its January 2, 1980, assessed value and its current assessed value in the case of a city. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this clause shall not apply.

(3) ~~29~~ 27.5 cents per taxable ton plus the increase provided in paragraph (c) to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, as follows:

(a) ~~5.5~~ 5.5 cents per taxable ton 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 clause (1).

(b) ~~23~~ (i) 22 cents per taxable ton, less any amount distributed under part (d), 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 tax levies as follows: each district shall receive that portion of the total distribution which its certified levy for the prior year, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125, comprises of the sum of certified levies for the prior year for all qualifying districts, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125.~~ For purposes of distributions pursuant to this part, certified levies for the prior year computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2 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 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 shall receive a distribution under this paragraph (b) that is no 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; the amount necessary to make this minimum payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

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(c) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by clause (3)(b) 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 clause (3)(b) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988 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, ~~clauses (1) and (2)~~; 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 clause (3)(c) 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 clause (3)(c) 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 clause (9).

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

(4) ~~49.5~~ 16.5 cents per taxable ton to counties to be distributed, based upon certification by the commissioner of revenue, as follows:

(a) ~~45.5~~ 13 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). The apportionment formula prescribed in clause (1) is the basis for the distribution.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are

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conducted, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(c) ~~Four~~ 3.5 cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) ~~17.75~~ 22 cents per taxable ton, less any amount required to be distributed under ~~part~~ parts (b) and (c), to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, ~~75~~ .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county ~~and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.~~

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(6) 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 clause 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 1988 and subsequent years according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed pursuant to this clause 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 clause 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.

(7) (a) .20 cent per taxable ton shall be paid to the range association of municipalities and schools, for the purpose of providing an areawide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

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(b) 1.5 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

(8) the amounts determined under clauses ~~(4)(a)~~, ~~(4)(e)~~, (5)(a) and (7)(b) 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. Those amounts shall be increased in 1988 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

The amounts determined under clauses (4)(a), (4)(c), (5)(b), and (5)(c) for distribution in 1987 and subsequent years shall be the amount determined for distribution in 1986 under Minnesota Statutes 1985 Supplement, section 298.28, subdivision 1, clauses (4)(a), (4)(c), and (5)(b).

(9) the proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in clauses (1) to (8), as certified by the commissioner of revenue, and parts (a) and (b) of this clause have been made, together with interest earned on all money distributed under this subdivision prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(a) There shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake county and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake county and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(b) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22.

On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and December 31 of said year, less any credit allowable as hereinafter provided. The commissioner of revenue shall annually on or before October 10 report an estimated distribution amount to each taxing district and the officers with whom such report is so filed shall use the amount so indicated as being

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distributable to each taxing district in computing the permissible tax levy of such county or city in the year in which such estimate is made, and payable in the next ensuing calendar year, except that one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. In any calendar year in which a general property tax levy subject to sections 275.50 to 275.59 has been made, if the taxes distributable to any such county or city are greater than the amount estimated by the commissioner to be paid to any such county or city in such year, the excess of such distribution shall be held in a special fund by the county or city and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.50 to 275.59, of such county or city payable in such year. If the amounts distributable to any such county or city after final determination by the commissioner of revenue under this section are less than the amounts by which a taxing district's levies were reduced pursuant to this section, such county or city may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.50 to 275.59 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

Sec. 13. Minnesota Statutes 1984, section 298.282, subdivision 2, is amended to read:

Subd. 2. (a) Each year following the final determination of the amount of taxes payable under section 298.24, the commissioner of revenue shall determine the amount in the taconite municipal aid account as of July 1 of such year and the amount to be distributed to each qualifying municipality during such year. The amount to be distributed to each qualifying municipality shall be determined by ~~dividing the total amount in said account, after a reduction equal to the amount of the distribution in subdivision 5, as of July 1 by the total population according to the latest federal census of all qualifying municipalities to determine the per capita distributive share for such year and by multiplying the per capita distributive share by the population of such municipality determining an index for each qualifying municipality by subtracting its local effort mill rate, multiplied by its equalized assessed value, from its fiscal need factor. For the purposes of this subdivision, the following terms have the meanings given them herein. A municipality's "local effort mill rate" means its fiscal need factor per capita divided by \$17 per capita per mill for the first \$350 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by \$15 per capita per mill on that part of its fiscal need factor per capita, if any, in excess of \$350. In no case shall a municipality's local effort mill rate be less than eight mills. A municipality's "equalized assessed value" means its previous year taxable valuation, less the captured value in any tax increment district, divided by the municipality's aggregate sales ratio covering the period ending two years prior to the year of aid distribution. A municipality's "fiscal need factor" means the three-year average of the sum of its municipal levy, taconite aids received under sections 298.28, subdivision 1, clauses (1) and (10)(a) and 298.282 and its local government aid distribution amount, for taxes payable and distribution~~

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amounts receivable in the three years immediately preceding the aid distribution year.

The ratio of the resulting index for each qualifying municipality to the sum of all qualifying municipalities' indexes shall be multiplied by the total amount in the taconite municipal aid account less the amount distributed pursuant to subdivision 5. For the distribution made in 1987, one-third of the distribution shall be distributed pursuant to this subdivision and two-thirds pursuant to Minnesota Statutes 1984, section 298.282, subdivision 2. For the distribution made in 1988, two-thirds shall be distributed pursuant to this subdivision and one-third pursuant to Minnesota Statutes 1984, section 298.282, subdivision 2.

(b) If the distribution under this section, sections 273.138, 298.26 and 298.28, and chapter 477A, to any municipality would exceed that municipality's levy limit base for that year, computed pursuant to sections 275.50 to 275.59, the amount in excess of the levy limit base for that year shall reduce the amount distributed to the municipality under this section and this excess amount shall be distributed to the other qualifying municipalities ~~on a per capita basis in the same manner as the distribution made pursuant to subdivision 2, except that the qualifying municipality receiving an initial distribution when added to that received pursuant to sections 273.138, 298.26, 298.28, and chapter 477A in excess of the qualifying municipality's levy limit base, shall not receive a distribution nor shall its index be used in computing the distribution pursuant to this clause.~~ The distributions to be received in the year in which the taxes are payable shall be compared to the levy limit base for that same year. Upon completion of such determination, the commissioner of revenue shall certify to the chief clerical officer of each qualifying municipality the amount which will be distributed to such municipality from the taconite municipal aid account that year.

#### Sec. 14. APPROPRIATION.

\$20,000,000 is appropriated to the commissioner of natural resources. Notwithstanding Minnesota Statutes, section 298.293 or 298.294 or any other law, this appropriation is from the corpus of the northeast Minnesota economic protection fund. This money is available only as a loan guarantee for the smelting project using the COREX process and is contingent upon receipt by the commissioner of natural resources of sufficient funding from other sources to complete the project. If the project is approved by the United States department of energy prior to December 31, 1987, this appropriation does not cancel but is available until June 30, 1992, or the project is completed or abandoned, whichever occurs earlier. On July 1, 1992, \$20,000,000 is appropriated from the general fund, to be taken from the proceeds of the taconite occupation tax imposed under Minnesota Statutes, section 298.01, to the commissioner of natural resources to be used only to continue the loan guarantee or to be drawn down to cover a default according to this subdivision. If the general fund appropriation is used to cover a default in the loan, there shall be repaid from the northeast Minnesota economic protection trust fund to the general fund the

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amount of the default. Payments shall be made in ten equal annual installments, with the first payment made one year from the date of the default. No interest shall be paid on these payments. An amount sufficient to make the repayments is appropriated from the northeast Minnesota economic protection trust fund. The money appropriated from the northeast Minnesota economic protection trust fund shall be spent only in or for the benefit of tax relief areas as defined in Minnesota Statutes, section 273.134.

Sec. 15. **EFFECTIVE DATE.**

Sections 1, 10, 12, and 13 are effective for distributions in 1987 and subsequent years, except that the changes in paragraph 3 of section 298.28, subdivision 1, are effective for distributors in 1988 and subsequent years. Sections 2, 3, and 4 are effective for taxes levied in 1986, payable in 1987, and thereafter. Sections 5 and 6 are effective for gross earnings derived after December 31, 1986. Sections 7 and 8 are effective for purchases and use made after May 1, 1986, provided that the first refunds for construction materials and supplies due as a result of the exemption under section 8 may not be paid by the commissioner before July 15, 1987. Except as otherwise provided, section 9 is effective for ores mined or produced after December 31, 1986.

Approved March 24, 1986

**CHAPTER 442—H.F.No. 1772**

*An act relating to courts; increasing fees to be collected; clarifying existing fee statutes; increasing the penalty assessment imposed on persons convicted of crimes; clarifying the purposes for which it may be used; providing for the standard of care of trustees; authorizing certain investments of trust property; providing for powers of trustees; amending Minnesota Statutes 1984, sections 176.451, subdivision 3; 487.31, subdivisions 1 and 4; 487.33, subdivisions 1 and 2; 501.125, subdivision 1, and by adding a subdivision; 501.66, subdivision 28, and by adding a subdivision; 514.70; 525.031; and 525.033; Minnesota Statutes 1985 Supplement, sections 357.021, subdivision 2; 501.125, subdivision 6; and 609.101.*

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

Section 1. Minnesota Statutes 1984, section 176.451, subdivision 3, is amended to read:

Subd. 3. ~~CLERK'S COURT ADMINISTRATOR'S FEES.~~ CLERK'S COURT ADMINISTRATOR'S FEES. The ~~clerk court administrator~~ shall charge ~~only 25 cents~~ \$5 for the entire service he performs under this section.

Sec. 2. Minnesota Statutes 1985 Supplement, section 357.021, subdivision 2, is amended to read:

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