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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 324

01/24/2019 Authored by Lislegard, Ecklund, Sundin, Sandstede and Noor The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxes; production tax on taconite; modifying the guaranteed distribution
1.3 formula for the taconite municipal aid account; indexing the municipal aid account
1.4 allocation to inflation; amending Minnesota Statutes 2018, sections 298.225,
1.5 subdivision 1; 298.28, subdivision 3.

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

1.7 Section 1. Minnesota Statutes 2018, section 298.225, subdivision 1, is amended to read:

1.8 Subdivision 1. Guaranteed distribution. (a) Except as provided under paragraph (c),
1.9 the distribution of the taconite production tax as provided in section 298.28, subdivisions
1.10 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

1.11 (1) the amount distributed pursuant to this section and section 298.28, with respect to
1.12 1983 production if the production for the year prior to the distribution year is no less than
1.13 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount
1.14 of the distributions shall be reduced proportionately at the rate of two percent for each
1.15 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000
1.16 tons; or

1.17 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs
1.18 (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this
1.19 section and section 298.28, with respect to 1983 production;

1.20 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b)
1.21 and (d), 75 percent of the amount distributed pursuant to this section and section 298.28,
1.22 with respect to 1983 production provided that the aid guarantee for distributions under

2.1 section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton
 2.2 for production years 2014 and thereafter.

2.3 (b) The distribution of the taconite production tax as provided in section 298.28,
 2.4 subdivision 2, shall equal the following amount:

2.5 (1) if the production for the year prior to the distribution year is at least 42,000,000
 2.6 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
 2.7 to 1999 production; or

2.8 (2) if the production for the year prior to the distribution year is less than 42,000,000
 2.9 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
 2.10 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
 2.11 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

2.12 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,
 2.13 paragraph (a), must equal the amount distributed under 298.28, with respect to 1983
 2.14 production.

2.15 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.

2.16 Sec. 2. Minnesota Statutes 2018, section 298.28, subdivision 3, is amended to read:

2.17 Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under
 2.18 subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account
 2.19 to be distributed as provided in section 298.282. The amount allocated to the taconite
 2.20 municipal aid account must be annually increased in the same proportion as the increase in
 2.21 the implicit price deflator as provided in section 298.24, subdivision 1.

2.22 (b) An amount must be allocated to towns or cities that is annually certified by the county
 2.23 auditor of a county containing a taconite tax relief area as defined in section 273.134,
 2.24 paragraph (b), within which there is (1) an organized township if, as of January 2, 1982,
 2.25 more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a
 2.26 city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city
 2.27 consists of iron ore.

2.28 (c) The amount allocated under paragraph (b) will be the portion of a township's or city's
 2.29 certified levy equal to the proportion of (1) the difference between 50 percent of January
 2.30 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980,
 2.31 assessed value in the case of a city and its current assessed value to (2) the sum of its current
 2.32 assessed value plus the difference determined in (1), provided that the amount distributed
 2.33 shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a

3.1 city. For purposes of this limitation, population will be determined according to the 1980
3.2 decennial census conducted by the United States Bureau of the Census. If the current assessed
3.3 value of the township exceeds 50 percent of the township's January 2, 1982, assessed value,
3.4 or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980,
3.5 assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed
3.6 value," when used in reference to years other than 1980 or 1982, means the appropriate net
3.7 tax capacities multiplied by 10.2.

3.8 (d) In addition to other distributions under this subdivision, three cents per taxable ton
3.9 for distributions in 2009 must be allocated for distribution to towns that are entirely located
3.10 within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution
3.11 in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent
3.12 amount must be annually increased in the same proportion as the increase in the implicit
3.13 price deflator as provided in section 298.24, subdivision 1. The amount available under this
3.14 paragraph will be distributed to eligible towns on a per capita basis, provided that no town
3.15 may receive more than \$50,000 in any year under this paragraph. Any amount of the
3.16 distribution that exceeds the \$50,000 limitation for a town under this paragraph must be
3.17 redistributed on a per capita basis among the other eligible towns, to whose distributions
3.18 do not exceed \$50,000.

3.19 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.