



Mineral Taxation

Update to 2015 Evaluation Report

March 2016

Problems Identified

- **Legislative Allocations of One-Time Grants from Mineral Tax Revenue Lacked Sufficient Safeguards.** For example, the process did not require recipients to apply, legislators did not use specific selection criteria to award grants, recipients did not need to submit invoices to receive money, and no one held responsibility for overseeing whether recipients completed the funded projects.
- **Unclear and Unpredictable Allocation of Mineral Tax Revenue.** Statutes did not specify why only some recipients of mineral tax revenue have guaranteed amounts, or amounts tied to inflation. Statutes did not ensure predictability in mineral tax revenue allocations to local jurisdictions.
- **Errors in Department Materials and Statutes.** The Department of Revenue's annual *Mining Tax Guides*, which explain mineral taxation statutes, contained numerous errors. Minnesota statutes on mineral taxation contained outdated references and errors.

Changes Implemented

- **Redesigned Information on Mineral Taxation.** The Department of Revenue redesigned its web pages to make it easier to access accurate historical information on mineral taxation. The web pages include data updates and access to certain charts commonly found in the *Mining Tax Guide*. The department also implemented a free GovDelivery e-mail subscription for customers to receive up-to-date information on mineral taxes.

Action Needed

- **Improve Process for One-Time Legislative Grants of Mineral Tax Revenue.** The Legislature should establish a process to improve the use of mineral tax revenue for one-time grants to local jurisdictions. The Legislature should also specify criteria in law for use of surplus funds in the Taconite Property Tax Relief account, which it has used for the one-time legislative grants.
- **Make Annual Mineral Tax Allocations More Predictable.** The Legislature should take steps to increase the predictability of mineral tax revenue allocations to local taxing jurisdictions. The Legislature should also review whether the limited number of recipients receiving mineral taxes through either guaranteed allocations or allocations tied to inflation are accomplishing intended purposes.
- **Delete and Correct Outdated and Erroneous Statutes.** The Legislature should remove outdated mineral taxation statutes and correct errors where they exist. This process, though challenging, would improve understanding of the complex mineral taxation statutes and increase transparency.