September 1996

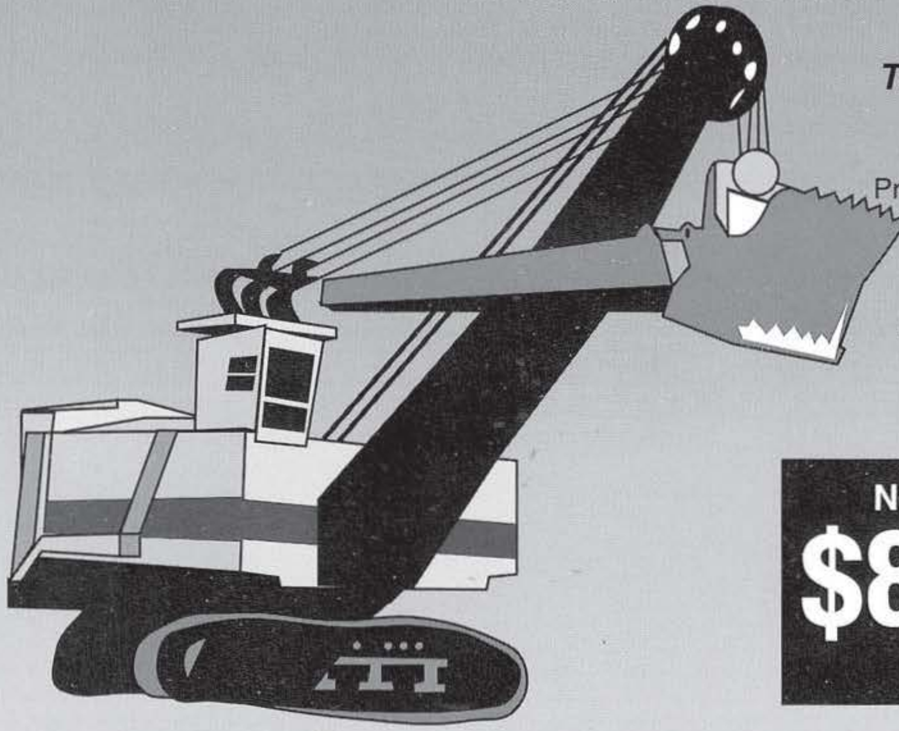
Minnesota Mining Tax Guide

MINERALS TAX OFFICE

MINNESOTA Department of Revenue

1996 Distribution of Taconite Production Tax

1995 Production Year



Total Taconite Production Tax

$86,629,766

Production Tax is $2.054 per taxable ton. The three-year average taxable tonnage was 42,176,127.

Less: School Bond Credits

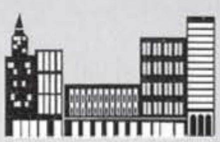
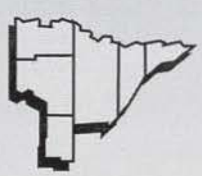
-$925,112

2.2-c.p.t.

Net Production Tax Distributed

$85,704,654

$2.032 per taxable ton

CITIES and TOWNSHIPS
$8,920,994
21.2-c.p.t.

- City & Township Fund* $1,388,842 3.3-c.p.t.
- Taconite Municipal Aid* $6,941,010 16.5-c.p.t.
- Taconite Railroad $591,142 1.4-c.p.t.

SCHOOL DISTRICTS
$21,822,165
51.7-c.p.t.

- School District $.055 Fund* $2,499,143 5.9-c.p.t.
- School $.22 Fund $9,681,360 23.0-c.p.t.
- Taconite Railroad $1,785,380** 4.5-c.p.t.
- Taconite Referendum $4,853,151 11.5-c.p.t.
- School Bond Payments $3,003,131 7.1-c.p.t.

COUNTIES
$13,223,341
31.4-c.p.t.

- Regular County Fund* $9,835,295 23.3-c.p.t.
- County Road & Bridge Fund* $2,603,669 6.2-c.p.t.
- Taconite Railroad $784,377 1.9-c.p.t.

PROPERTY TAX RELIEF AND MISC.
$13,241,215
31.4-c.p.t.

- Taconite Property Tax Relief $13,055,526 31.0-c.p.t.
- R.A.M.S.* $110,689 .2-c.p.t.
- State of Minnesota $75,000 .2-c.p.t.

I.R.R.R.B.
$21,441,364
50.8-c.p.t.

- I.R.R.R.B. Fund* $2,821,445 6.7-c.p.t.
- I.R.R.R.B. Fixed Fund $1,252,520 3.0-c.p.t.
- Taconite Env. Protection Fund $12,669,494 30.0-c.p.t.
- NE Minnesota Economic Protection Fund $4,697,905 11.1-c.p.t.

Guarantee Fund M.S. 298.225 M.S. 298.293

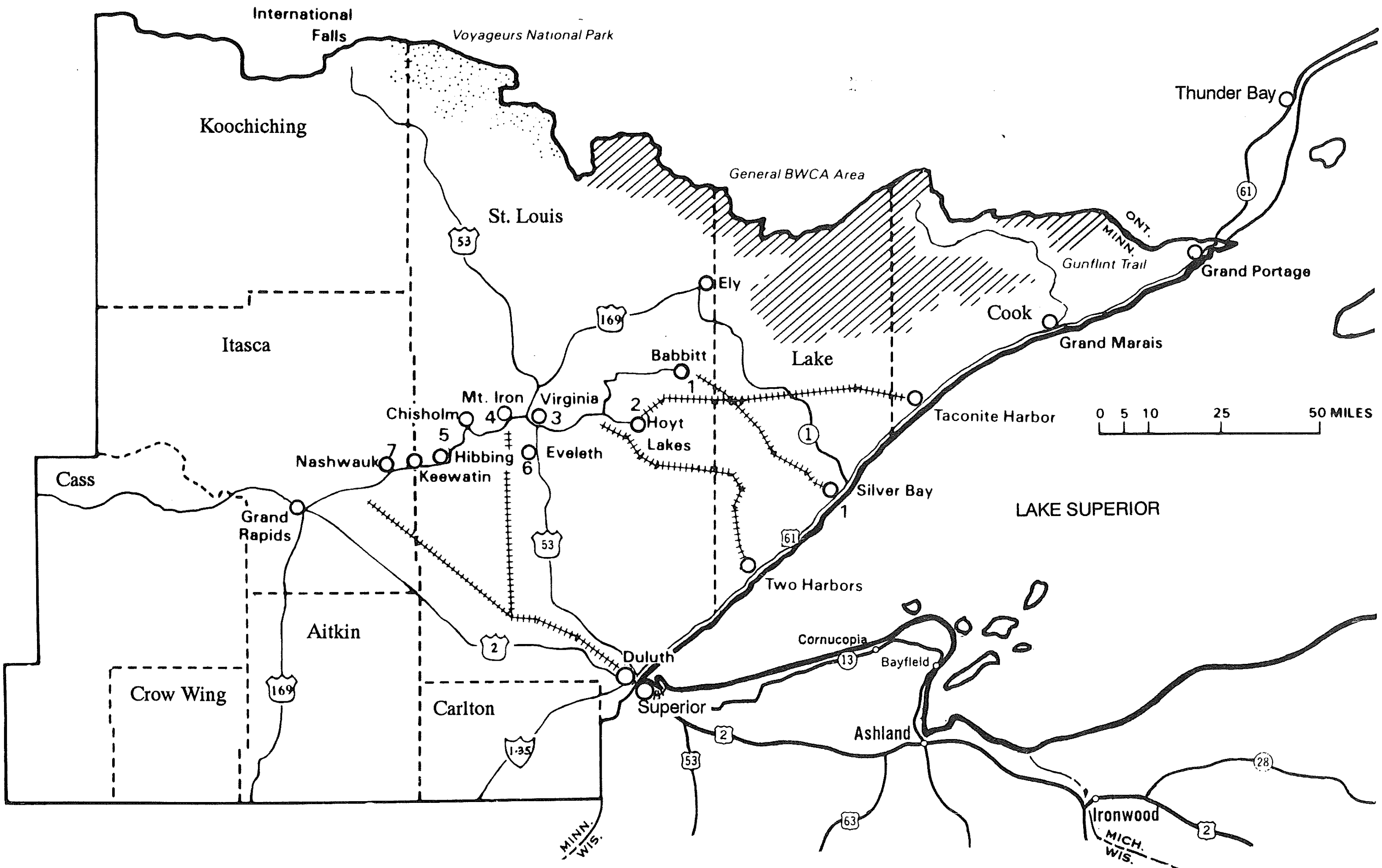
TACONITE ECONOMIC DEVELOPMENT FUND
$7,055,575
16.7-c.p.t.

**33.1-cents-per-ton will be subtracted from STATE aids or levies a taconite school district would otherwise receive.

*Payments to the funds are guaranteed at a percentage level of the base year (1983) by M.S. 298.225 for local aids and M.S. 298.293 for property tax relief.

MAP OF NORTHEASTERN MINNESOTA

TACONITE COMPANY LOCATIONS, OWNERSHIP AND GENERAL INFORMATION



	Effective Capacity* (million tons)
1) NORTHSHORE MINING COMPANY Owner: Cliffs Mining Company (100%)	4.7
2) LTV STEEL MINING COMPANY Cliffs Mining Company, Managing Agent Owner: LTV Steel (100%)	8.0
3) MINORCA PLANT Owner: Inland Steel Mining Company (100%)	2.5
4) MINNTAC PLANT Owner: USX Corporation (100%)	15.0
5) HIBBING TACONITE COMPANY Cliffs Mining Company, Managing Agent Owners: Bethlehem Steel Company (70.3%) Cliffs Mining Company (15%) Steel Company of Canada, Ltd. (14.7%) (Stelco)	8.5

	Effective Capacity* (million tons)
6) EVELETH MINES ** Oglebay Norton Company, Managing Agent Owners: Rouge Steel Company (41.7%) Oglebay Norton Company (14.4%) Virginia Horn Taconite (A-K Steel) (33.3%) Ontario Eveleth Company (Stelco) (10.6%)	5.4
7) NATIONAL STEEL PELLET COMPANY Owner: National Steel Corporation (100%) National Steel Ownership: Nippon Kokan KK (67.6%) Publicly Held (32.4%)	4.7
TOTAL EFFECTIVE CAPACITY:	48.8

* Effective capacity is the annual production capacity in natural long tons (including flux) that can be sustained under normal operating conditions.

** Oglebay Norton has announced that it will no longer be Managing Agent effective January 1, 1997, and that its ownership interest may be sold. At the time this tax guide was published, final ownership and organizational structure for Eveleth Mines had not been determined.

The ownership percentages shown are the ultimate percentages controlled by parent steel and mining companies. In some instances, various partnerships and subsidiaries are listed on legal corporate documents.

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EVELETH MINES PRODUCES 100 MILLION TON

Eveleth Mines reached a production milestone on July 25, 1995, producing its **100 millionth** ton of taconite pellets.

Eveleth Mines produced its first taconite pellets on December 10, 1965.

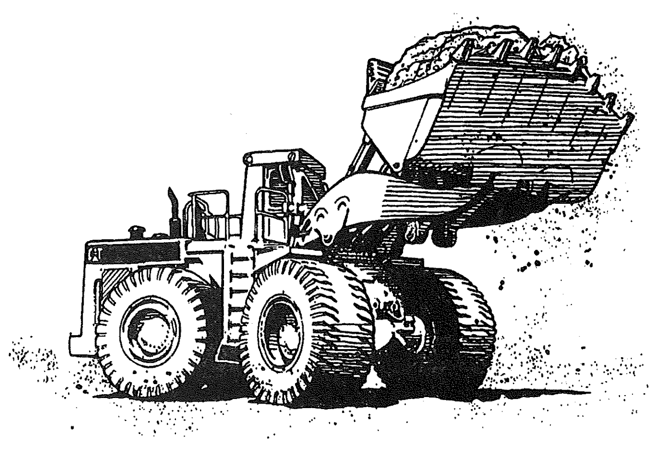
USX MINES 1 BILLIONTH TON OF CRUDE ORE

USX's Minntac plant reached a production milestone on November 16, 1995, mining its **one billionth** ton of crude ore.

The Minntac taconite plant began mining in 1967 and taconite pellet production in 1968.

Photograph provided by the Duluth News-Tribune.

The milestones reached in 1995 by these two taconite producers are indications of the economic impact taconite production has had on the Iron Range over the past 30 years. Minntac currently employs 1,700 men and women with an annual payroll of $100 million. Eveleth Mines currently employs 644 men and women with an annual payroll of $38 million.



INTRODUCTION

The Minnesota Mining Tax Guide is published **to identify all Minnesota mining-related taxes** paid by the mining industry. The book strives to simplify the complicated tax statutes using language that is easy to understand through non-technical narratives, tables, graphs, and flowcharts.

The Taconite Production Tax is the largest tax paid by the iron mining industry. It is a major source of revenue to the counties, municipalities, and school districts where taconite mining exists or where natural ore mining was significant in the past. This section explains how the tax is distributed. Officials of the counties, municipalities, and school districts can use this information when determining budgets, planning future projects, and setting levies.

A new page has been added to inform anyone hiring an out-of-state contractor about surety desposits (page 27).

Other major taxes paid by the mining industry are Occupation Tax (similar to an income tax) and Use Tax (sales tax). These taxes are all paid directly to the state with the money placed in the general fund. Though the information on these taxes is not as detailed as the production tax, these sections aim to provide a basic understanding of what each tax is and how it works.

Other taconite and iron ore ad valorem (property) taxes, which are paid directly to the counties are included. These are property taxes which are assessed on taconite railroads, unmined taconite ore, auxiliary mining lands, unmined natural ore, and severed mineral interests.

Taxes that apply to minerals other than taconite or iron ore are also identified and explained. These minerals include gold, silver, copper, nickel, and lead among others. Although several taxes that apply to taconite and iron ore also apply to these minerals, the Net Proceeds Tax applies exclusively to these minerals.

All information included in this publication has been developed from tax returns and reports provided to the Minerals Tax Office by mining and exploration companies and other Minnesota state agencies.

IRON ORE PRODUCTION COMPARISON

Figure 1

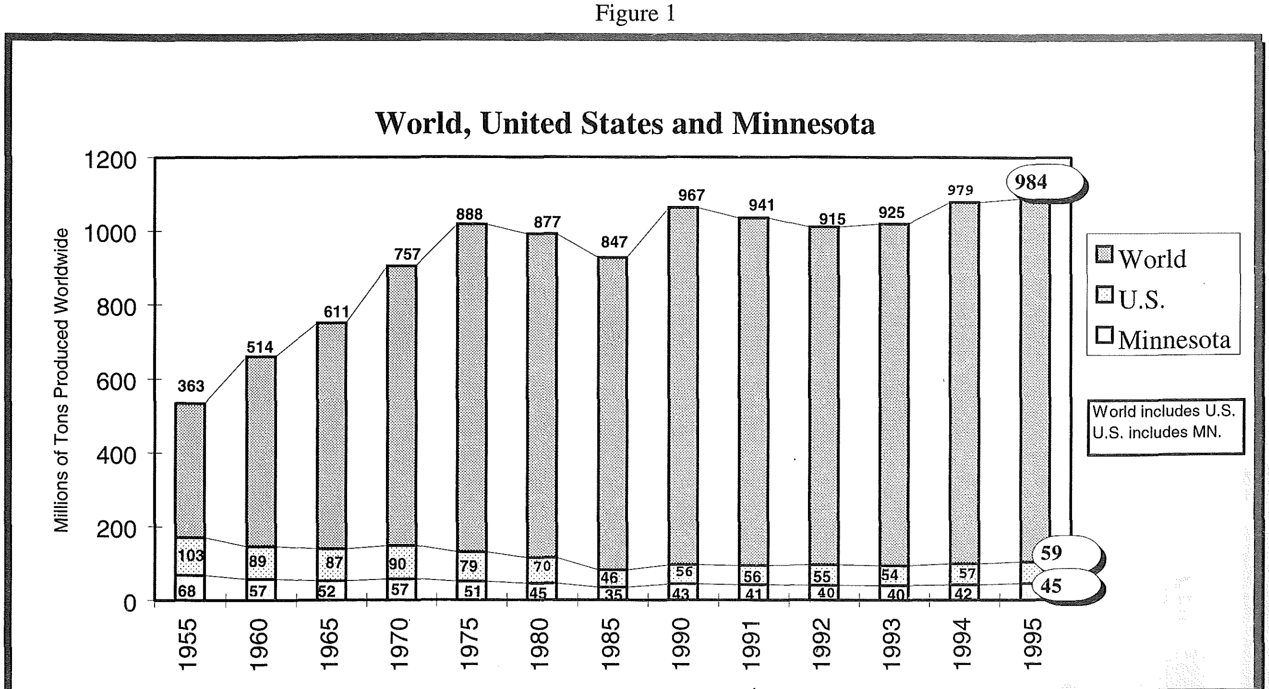


Figure 2

DISTRIBUTION OF MINING TAXES

Production Year 1995 Tax Obligations - $105,286,116

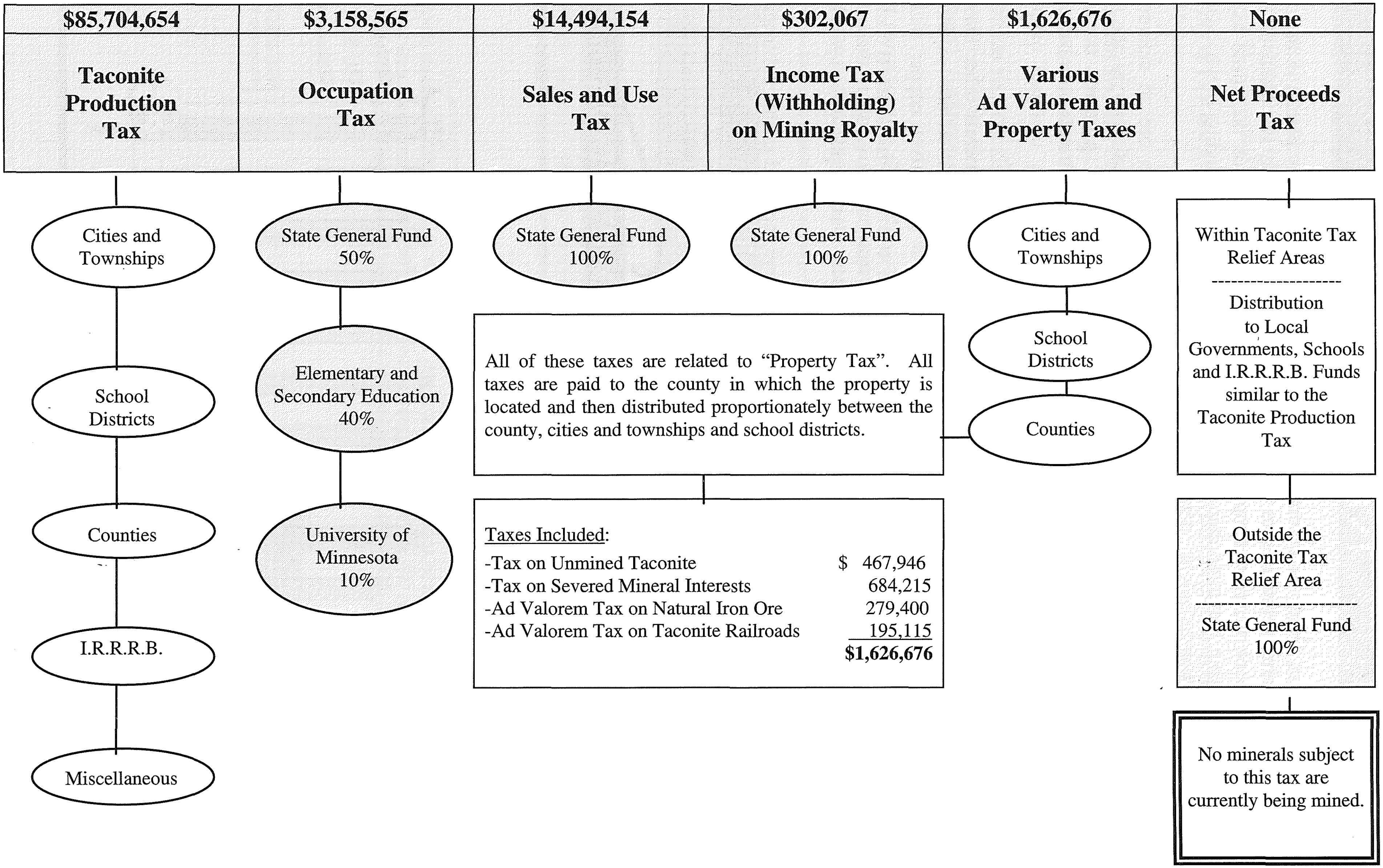


Figure 3

HISTORY OF MINNESOTA TACONITE PRODUCTION

(Taconite Production Tax Report Tonnages)

Year	Butler	Eveleth	Hibbing	Inland	LTV[1]	National	Northshore[2]	USX	Total
1949	---	---	---	---	45,290	---	---	---	45,290
1950	---	---	---	---	129,666	---	---	---	129,666
1951	---	---	---	---	99,977	---	---	---	99,977
1952	---	---	---	---	101,325	---	13,071	---	114,396
1953	---	---	---	---	228,499	---	257,435	133,504	619,438
1954	---	---	---	---	180,669	---	316,628	413,059	910,356
1955	---	---	---	---	195,979	---	521,200	623,491	1,340,670
1956	---	---	---	---	211,698	---	4,238,729	618,452	5,068,879
1957	---	---	---	---	487,303	---	5,558,262	766,739	6,812,304
1958	---	---	---	---	2,953,993	---	4,837,258	747,033	8,538,284
1959	---	---	---	---	4,109,000	---	3,763,189	542,106	8,414,295
1960	---	---	---	---	7,144,214	---	5,446,342	799,365	13,389,921
1961	---	---	---	---	6,772,654	---	5,652,522	761,913	13,187,089
1962	---	---	---	---	7,593,349	---	6,153,812	771,890	14,519,051
1963	---	---	---	---	7,852,473	---	8,044,362	798,405	16,695,240
1964	303	---	---	---	8,009,243	---	9,667,975	827,713	18,505,234
1965	10,700	52,826	---	---	8,039,657	---	10,023,520	877,459	19,004,162
1966	70	1,536,370	---	---	8,551,944	---	10,829,799	758,544	21,676,727
1967	1,617,409	1,738,068	---	---	9,900,479	470,918	9,695,533	888,950	24,311,357
1968	2,334,752	1,800,124	---	---	10,718,707	839,663	10,002,064	4,573,743	30,269,053
1969	2,599,906	1,916,899	---	---	10,198,586	2,285,744	10,352,579	6,056,598	33,410,312
1970	2,637,655	1,986,000	---	---	10,743,031	2,728,932	10,825,617	6,426,609	35,347,844
1971	2,647,930	2,055,131	---	---	10,192,628	2,813,242	9,628,920	6,439,695	33,777,546
1972	2,302,971	2,141,233	---	---	9,972,068	2,420,056	9,042,632	8,674,583	34,553,543
1973	2,563,093	2,065,042	---	---	11,657,631	2,578,023	10,424,648	12,540,908	41,829,345
1974	2,523,518	2,171,678	---	---	10,897,352	2,476,793	10,367,742	12,616,204	41,053,287
1975	2,437,411	2,164,677	---	---	10,884,511	2,433,579	10,695,052	12,193,687	40,808,917
1976	2,393,347	2,291,714	303,419	---	10,778,287	2,461,083	10,052,204	12,294,537	40,574,591
1977	1,686,590	2,572,909	2,150,170	232,457	4,646,451	2,621,627	5,033,248	7,428,136	26,371,588
1978	2,507,633	4,924,732	5,408,928	1,925,378	7,424,801	5,096,348	9,154,801	12,927,230	49,369,851
1979	2,552,255	5,604,688	6,250,348	2,238,443	8,820,258	5,367,815	7,033,658	16,492,186	54,359,651
1980	1,575,454	5,778,256	6,800,202	1,407,598	5,679,043	2,896,456	4,582,997	14,147,065	42,867,071
1981	2,194,960	5,879,859	7,125,897	2,385,967	7,943,641	3,424,392	7,643,807	12,381,951	48,980,474
1982	1,040,799	4,611,260	5,703,410	1,792,702	3,963,897	1,291,211	1,520,113	3,307,025	23,230,417
1983	1,556,523	3,265,821	4,205,470	2,136,155	2,045,065	3,270,837	985,318	7,708,073	25,173,262
1984	1,989,952	3,932,117	6,075,049	2,032,164	4,696,117	4,584,782	3,666,288	8,712,123	35,688,592
1985	952,476	2,943,613	5,059,291	1,821,941	4,862,497	4,428,662	3,282,389	9,913,832	33,264,701
1986	**Closed**	3,455,690	4,881,987	1,807,451	4,232,962	4,021,372	1,433,898	5,617,695	25,451,055
1987	---	3,481,280	7,685,375	2,118,660	6,774,330	4,314,534	**Closed**	7,668,870	32,043,049
1988	---	4,238,636	8,653,270	2,247,840	7,888,582	4,607,944	---	11,848,960	39,485,232
1989	---	4,910,384	8,186,626	2,269,177	7,372,667	4,745,024	---	11,846,319	39,330,197
1990	---	4,417,255	8,136,923	2,265,876	7,798,292	4,809,930	2,384,061	12,709,299	42,521,636
1991	---	3,374,068	8,016,302	2,337,141	6,887,320	4,850,261	1,986,223	12,470,635	39,921,950
1992	---	3,571,784	7,801,946	2,109,743	6,622,640	4,997,512	1,394,451	12,351,795	38,849,871
1993	---	3,124,040	7,244,015	2,403,766	7,403,623	2,758,923	3,406,029	13,509,891	39,850,287
1994	---	4,862,373	8,192,141	2,511,292	7,470,635	1,732,469	3,434,979	13,473,020	41,676,909
1995	---	5,141,072	8,386,431	2,560,350	7,440,366	5,026,048	3,658,130	12,788,787	45,001,184
Totals	**40,125,707**	**102,009,599**	**126,267,200**	**38,604,101**	**288,623,400**	**96,354,180**	**237,011,485**	**299,448,079**	**1,228,443,751**

(1 Erie Mining Co. was renamed LTV Steel Mining Co. in 1987

(2 1949 - 1986 Reserve Mining Co.
1987 - 1989 Closed.
1990 - 9/94 Cyprus/Northshore.
9/94 Northshore (CCI).

Numbers after 1986 do not include flux. Beginning with 1990, all weights are dry.

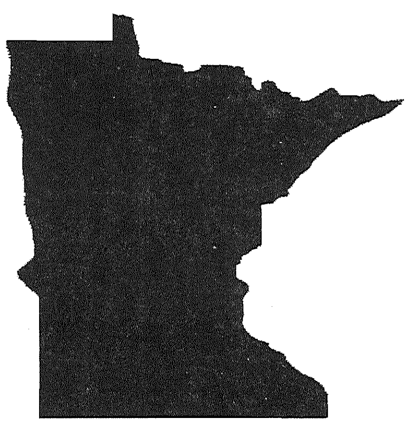
Figure 4

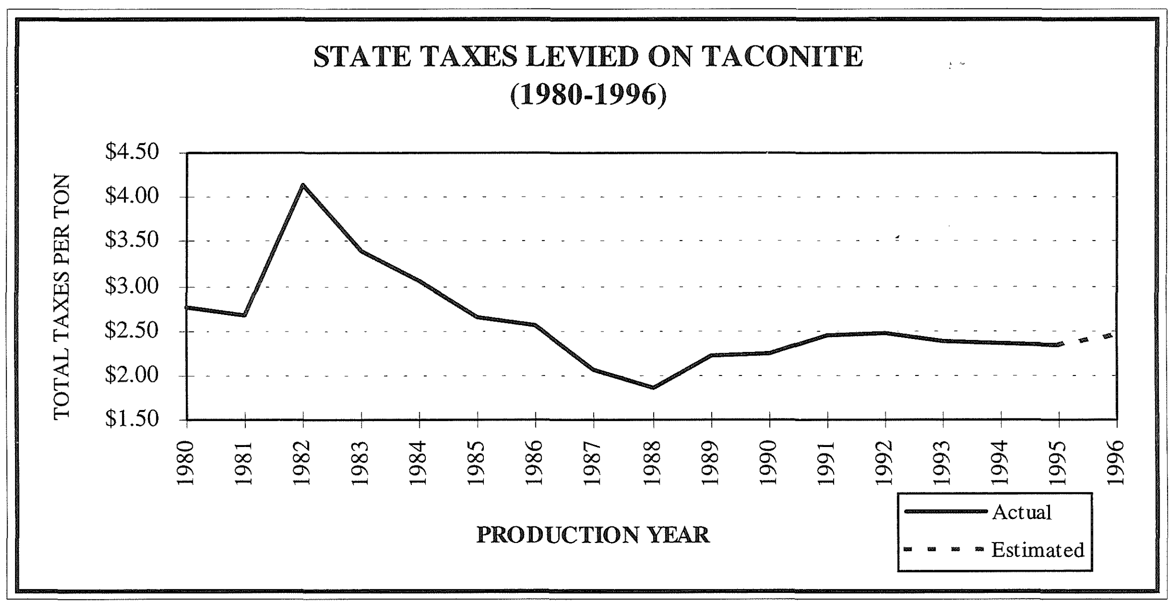
SUMMARY OF ALL TAX LIABILITIES FOR THE MINNESOTA MINING INDUSTRY
(000's)

TAX	1990	1991	1992	1993	1994	1995	1996 Est.
Ad Valorem - Unmined Natural Ore (Year Assessed):	$ 644	$ 494	$ 341	$ 330	$ 315	$ 279	$ 285
Occupation - Taconite:	2,057	2,008	1,551	1,709	2,302	3,072	2,500
- Natural Ore:	11	32	38	0	22	87	50
Taconite Production:	78,930	82,411	82,035	80,196	81,500	85,705	88,500
School Bonds:	980	995	1,010	1,021	918	925	612
Railroad Ad Valorem - Taconite (Year Paid):	267	264	139	143	141	233	195
Unmined Taconite (Year Assessed):	353	350	356	352	488	468	460
Sales & Use (Taconite Only):	13,023	11,385	11,255	11,663	13,137	14,494	10,500
TOTAL (Taconite Only):	$95,610	$97,413	$96,346	$95,084	$98,486	$104,897	$103,821
TONS PRODUCED (Taconite):	42,522*	39,922*	38,850*	39,850*	41,677*	45,001*	42,500
TOTAL TAXES PAID ON PER TON BASE (Taconite):	2.25	2.44	2.48	2.39	2.36	2.33	2.44

* Tons are without flux additive.
Beginning in 1990, production tons are also reported dry.

Shaded portions are taconite taxes only.





STATE TAXES LEVIED ON TACONITE (1980-1996)

Figure 5

MINNESOTA TAXES LEVIED ON TACONITE

Production Year	Unmined Taconite Tax	Use Tax (Net) [a]	Production Tax	Occupation Tax	Royalty Tax	School Bonds	Railroad Gross Earnings Tax	Total Taxes	Total Tons Produced	Total Taxes Per Ton
1960	$ ---	$ ---	$735,708	$638,489	$1,280,553	$1,741,820	$815,952	$5,212,522	13,383,000	$0.39
1965	---	---	1,107,097	1,740,307	502,167	1,443,170	1,337,497	6,130,238	19,004,162	0.32
1970	64,000	Not Available	4,252,668	3,161,186	787,108	1,346,642	1,768,702	11,380,306	35,347,844	0.32
1975	64,000	7,214,111	30,347,066	18,955,051	2,657,458	193,905	3,072,496	62,504,087	40,808,917	1.53
1976	Not Available	7,446,168	30,857,046	18,269,842	2,841,120	188,325	3,338,487	62,940,988	40,574,591	1.55
1977	Not Available	7,375,115	48,757,124	3,190,408	2,626,141	182,745	1,509,773	63,641,306	26,371,588	2.41
1978	Not Available	8,573,833	69,221,559	19,226,372	3,279,861	177,165	3,267,247	103,746,037	49,544,671	2.09
1979	239,748	12,590,482	88,483,670	23,856,757	4,775,352	165,726	3,634,407	133,746,142	55,333,032	2.42
1980	232,218	9,981,715	87,178,532	13,807,599	4,619,799	138,476	2,983,819	118,942,158	43,059,750	2.76
1981	240,064	9,797,691	99,018,289	12,707,553	5,392,864	183,267	4,960,605	132,300,333	49,368,518	2.68
1982	284,701	7,827,049	80,305,437	3,347,835	4,093,008	176,421	1,354,173	97,388,624	23,445,104	4.15
1983	330,969	5,765,048	67,341,038	7,385,782	2,821,421	824,083	926,207	85,394,548	25,173,262	3.39
1984	321,389	7,110,166	64,514,255	29,915,354	4,563,672	774,865	1,678,295	108,877,996	35,688,592	3.05
1985	396,669	6,476,570	65,091,787	9,906,688	3,576,000	782,076	1,985,441	88,215,231	33,264,701	2.65
1986	384,697	4,890,472	48,657,782	6,233,533	2,436,402	699,422	1,670,756	64,973,064	25,451,055	2.55
1987	392,614	5,286,947	51,184,126	5,355,872	1,959,251	673,000	1,404,961	66,256,771	32,043,049	2.07
1988	365,244	8,351,535	57,402,070	2,993,234	2,540,422	720,208	1,397,211	73,769,924	39,485,232	1.87
1989	355,065	11,112,722	72,149,188	349,691	2,645,527	862,122	**	87,474,315	39,375,431	2.22
1990	352,935	13,022,869	78,929,646	2,057,281	*	980,368	266,879	95,609,978	42,521,636 [b]	2.25
1991	349,551	11,385,280	82,411,317	2,007,906	*	994,841	263,692	97,412,587	39,921,950 [b]	2.44
1992	355,596	11,255,028	82,035,382	1,551,335	*	1,010,205	139,193	96,341,143	38,849,871 [b]	2.48
1993	352,119	11,683,161	80,195,972	1,708,731	*	1,020,631	143,079	95,083,693	39,850,287 [b]	2.39
1994	488,176	13,136,780	81,500,355	2,301,596	*	917,810	140,841	98,485,558	41,676,909 [b]	2.36
1995	467,946	14,494,154	85,704,654	3,158,565	*	925,112	233,034	104,983,465	45,001,184 [b]	2.33
1996 Est.	460,000	10,500,000	89,554,000	2,500,000	*	612,273	195,000	103,821,273	42,500,000	2.44

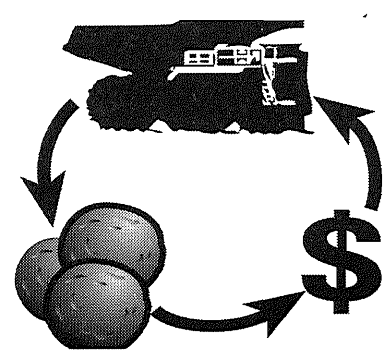
Taxes often levied (assessed) for one year and paid in the following year

* Repealed effective after December 31, 1989.

** Repealed effective after December 31, 1988. Beginning with payable 1990, taconite railroads were taxed on an ad valorem basis.

[a] Total use tax less total refunds paid (page 41) after 1990.

[b] Tons are without flux additive. Beginning in 1990, production tons are also reported dry.



TACONITE PRODUCTION TAX
(M.S. §298.24, M.S. §298.28)

Defined

The Taconite Production Tax is a severance tax paid on concentrates or pellets produced by the taconite companies. It is paid "in lieu of" ad valorem (property) taxes on taconite and lands containing taconite. Land and structures used in the production of taconite are also excluded from property tax, with some exceptions. (See pages 44 & 45.)

Tax Rate

The Taconite Production Tax rate for any given year is determined by multiplying the prior years rate by the percentage increase in the Gross National Product Implicit Price Deflator (GNPIPD) from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. The GNPIPD is published monthly in "Survey of Current Business" by the U.S. Department of Commerce. This escalator takes effect each year unless the rate is frozen or changed by the legislature.

Taxable Tons

The Production tax is levied on "taxable tons", which are the average tons produced during the current year and the previous two production years. This statute was enacted to eliminate the "peaks and valleys" of tax payments by the taconite producers and distribution to the tax recipients. This results in a more stable tax base resembling a property tax.

History

1986 - 1988	$1.900
1989 - 1990	$1.975
1991 - 1995	$2.054
1996	$2.094

A more complete history of the tax rate and tax collected can be found in Figure 19.

Distribution

The revenues from the production tax are distributed by statute to various cities, townships, counties and school districts within the taconite relief area. This is an area made up of the present taconite mining areas plus areas where natural ore was formerly mined.

Funds are also allocated to the Iron Range Resources and Rehabilitation Board (I.R.R.R.B.), which administers the Taconite Environmental Protection Fund, the Northeast Minnesota Economic Fund, the Taconite Economic Development Fund (sometimes referred to as investment tax credit) the Taconite Assistance Program and other loan and grant programs for both the range cities and townships and the taconite industry. More information on the I.R.R.R.B. can be found on pages 24 - 26.

Payment Dates and Method

The Taconite Production Tax is due and payable by electronic fund transfer on February 24 of each year. If the 24th falls on a weekend or holiday, the payment date is the next regular work day. The Department of Revenue must notify each taconite producer of their tax obligation by February 15.

Each taconite producer must make payments to six counties and the I.R.R.R.B. on or before the due date. Payments are made to: Aitkin, Cook, Crow Wing, Itasca, Lake, and St. Louis Counties and to the I.R.R.R.B..

1996 LEGISLATION

Production Tax

The 1996 legislature increased the Taconite Production Tax rate from $2.054 to $2.094 per taxable ton.

Economic Development Fund

The Taconite Economic Development Fund (Investment Tax Credit) for taconite producers was also increased from 15.4 cents-per-ton to 20.4 cents-per-ton for production years 1996 through 1998.

Taconite Loans and Grants

The legislature also appropriated $10 million from the 2002 Fund (Northeastern Minnesota Economic Protection Fund) for grants or loans to *taconite producers* for 1) environmentally unique reclamation projects or 2) pit or plant expansions or modernizations other than a value added iron products plant that extend the life of the plant.

Aid to Cities or Towns

Taconite aid for cities or towns with taconite facilities was increased from 2.5 cents per taxable ton to 4.5 cents per ton. This increase is funded by reducing the taconite property tax relief account by two cents per taxable ton. The property tax relief account has a balance of over $13 million, so it should not be adversely affected. More information is in the Distribution of Funds, page 18.

Fiscal Disparities

A fiscal disparities provision was enacted for counties in the Taconite Tax Relief Area. This is modeled after a similar revenue distribution provision in the Minneapolis/ St. Paul metropolitan area. This provision mandates that 40% of the commercial-industrial net tax capacity growth from the base year of 1995 (payable 1996) is captured and redistributed to municipalities with lower property wealth, based on a formula of property wealth per person. Net tax capacity growth includes both new property and inflationary increases in existing property. (NOTE: This provision does not affect the Taconite Production Tax or its' distribution.

Schools

The 1996 legislature authorized taconite area schools to issue up to $31.9 million in bonds to fund the cost of improvements for K-12 schools. The bond payments will be funded 80% by taconite for all of the authorized schools except Cook County, which is funded at 70%.

The schools and amounts authorized for bonding are listed as follows:

Cook County, #166	$9,240,000
Coleraine, #316	$ 500,000
Grand Rapids, #318	$5,600,000
Ely, #696	$1,000,000
Hibbing, #701	$2,200,000
Virginia, #706	$6,000,000
St. Louis County, #2142	$3,000,000
Eveleth-Gilbert, #2154	$3,600,000
Mesabi East, #2711	$ 800,000

Region 3 Counties

Carlton and Koochiching counties have received an allocation equal to one cent-per-ton from the General Fund. The legislature increased this allocation to 1.5 cents per taxable ton for production year 1996. This increases the amount available in 1997 to about $645,000.

DRI and Non-Ferrous Facilities

The 1996 legislature provided that an additional $3 million could be withdrawn from the corpus of the 2002 Fund for **grants** and another $2 million be reserved for such ***grants*** from the interest earned on the corpus after June 30, 1996. A single project could receive up to $5 million in grants and $5 million in loans based on the 1995 and 1996 legislation. For more information see the DRI page 23.

Taconite Economic Development Fund (M.S. 298.227)

The Taconite Economic Development Fund was first created for production years 1992 and 1993 at a rate of 10.4-cents per taxable ton. The 1995 legislature extended the Taconite Economic Development Fund through the 1996 production year at the rate of 15.4 cents-per-ton established in 1993. The 1996 legislature increased the credit to 20.4 cents-per-ton effective for the 1996 production year and extended it through the 1998 production year. Each producer's share can be spent for equipment and machinery or research and development in Minnesota on mining technology or taconite, iron, or steel production technology. No distribution shall be made under this provision in any year in which total industry production falls below 30 million tons. A joint labor/management committee must agree on projects to be funded. Each producer has two potential sources of Taconite Economic Development Funds:

1. Acid or Flux Pellets
   The amount of the production tax that is credited to each producers share of the Taconite Economic Development Fund is 15.4-cents/ton. All producers qualify for this through production year 1998, as mentioned above. The amount is 20.4 cents beginning with production year 1996.

2. Pellet Chips and Fines
   This provision remains the same as last year--an amount equal to 50 percent of the tax for pellet chips and fines not exceeding 5/16-inch in size will be allocated to each company's share of the Taconite Economic Development Fund. The total amount shall not exceed $700,000 for all companies. If the total claimed exceeds $700,000, each company's share will be prorated. The determination of this allocation is based on *current production year sales* of chips and fines and not the three-year average of production. However, sales of fine concentrate do qualify for this credit. Crushed pellets are not eligible for the chips and fines credit.

Thus, each company was eligible to receive 15.4 cents-per-taxable-ton plus an additional amount based on current year sales of chips and fines.

A listing of the projects funded and current years distribution of the Taconite Economic Development Fund is shown in Figure 22 on page 26 in the I.R.R.R.B. section.

Flux Pellets

Fluxed pellets have limestone or other basic flux additives combined with the iron concentrates before pelletizing. All of the companies have experimented with flux pellets. Two companies, Inland Steel and USX, are producing fluxed pellets. Eveleth Mines, National, and Northshore are producing a partially fluxed pellet containing a low percentage of limestone additive. Northshore also produces fluxed pellets and acid pellets. The remaining companies produce primarily acid pellets. M.S. 298.24, Subd. 1, clause (e) allows the weight of flux added to be subtracted from the weight of pellets for production tax purposes. All tables in the Minnesota Mining Tax Guide with production statistics use an equivalent or calculated weight for fluxed pellets. The taxable weight is the dry weight less the weight of the flux. The weight of the flux is determined by a metallurgical calculation based on the analyses of the finished pellet, the concentrate, and the flux stone. Beginning with 1988, a flux credit is allowed against production tax.

Occupation tax is based on iron units and uses the full weight including flux. A reconciliation of both tonnages and the weight of the flux is shown on Figure 25.

Pellet Weighing

Pellet tonnages have been reported on a "dry" weight basis beginning with the 1990 production year.

Definition of Taconite Tax Relief Area

One common prerequisite exists for all taconite aids and grants--that is the recipient must be within the geographic confines of the taconite tax relief area. A taconite tax relief area is defined by statute (M.S. 273.134) as follows:

"Tax relief area" means the geographic area contained within the boundaries of a school district which contains a municipality which meets the following qualifications:

(1) It is a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property, or

(2) It is a municipality in which, on January 1, 1977, or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualified as a taconite facility.

DISTRIBUTION OF FUNDS (M.S. §298.28)

Subd. 2 - Taconite Cities and Towns

A total of 2.5 cents-per-ton is allocated to cities and towns where taconite mining and concentrating occurs. Forty percent (1.0 cent-per-ton) of this fund goes to those cities and townships in which mining activity occurs. The remaining 60 percent (1.5 cent-per-ton) goes to those cities and townships in which the concentrating of the taconite occurs. (Note: This is done on a company-by-company basis).

If both mining and concentrating take place in a single taxing district, then the entire 2.5-cents is allocated there.

If mining occurs in more than one city or town, then the revenue (1.0 cent-per-ton) is divided based on either a percentage of taconite reserves or a four-year average of production. Most taconite mines have mining in two or more units.

If concentrating is split between two cities or towns, the revenue (1.5 cent-per-ton) is divided by the percentage of hours worked in each. The primary crusher is considered the first stage of concentration. The only current examples of this are Northshore (Babbitt and Silver Bay) and Eveleth Mines (Eveleth, Fayal Township, and McDavitt Township). *Distribution detail in Figure 12.*

The 1996 legislature increased this allocation from 2.5 cents-per-ton to 4.5 cents-per-ton beginning with the 1996 production year. The actual increase for some cities and towns will be much less due to the fact that they were receiving a guaranteed amount which far exceeded the 2.5 cents-per-ton allocation. Also, Schroeder Township will begin to receive aid under this provision for the first time beginning with the 1996 production year payable in 1997.

Subd. 3 - Taconite Municipal Aid Account

(a) - The Taconite Municipal Aid payment is made on September 15. Each city or township first receives the amount it was entitled to receive in 1975 from the occupation tax. This amount is then reduced according to the percentage aid guarantee provisions of M.S. 298.225. For example, if production levels mandate a 90 percent aid guarantee, then the occupation tax grandfather amount is also reduced to 90 percent. The remainder of the aid is distributed according to a complex formula using levies, valuation, population, and fiscal need factors.

The conditions necessary for a municipality to qualify for this aid are identical to the qualifications for the 66 percent taconite property tax relief listed under Subdivision 6 on this page. The statutory references governing Municipal Aid are M.S. 273.134, M.S. 298.28, Subd. 1, Clause 2, and M.S. 298.282. *Distribution detail is Figure 12.*

(b) & (c) - Additional money is allocated to cities and townships if more than 75 percent of the city's assessed valuation consisted of iron ore as of January 2, 1980, or if more than 75 percent of the township's assessed valuation consisted or iron ore as of January 2, 1982. The distribution is calculated using certified levies, net tax capacities, and population. Currently, only White Township and the city of Kinney qualify.

Subd. 4 - School Districts

(a) - $.275 per taxable ton distributed under (b) & (c) plus increase in paragraph (d).

(b) - School District $.055 Fund - A total of $.055 per taxable ton for each taconite company is allocated to school districts in which mining and concentrating occurs. If the mining and concentrating take place in separate districts, 40 percent is allocated to the location of mining and 60 percent to concentrating.

In addition, if the mining occurs in more than one school district, the 40 percent portion is further split based on either a four-year average of production or a percentage of taconite reserves. If the concentrating function of a company takes place in more than one school district, the 60 percent portion is further split according to hours worked in each district. *Distribution detail in Figure 13.*

4(c) - School $.22 Fund

All taconite companies pay $.22 per taxable ton into a fund which is split among the 15 school districts comprising the taconite relief area. Each school district receives the amount which it was entitled to receive in 1975 from the taconite occupation tax. This amount may be increased or reduced by the percentage aid guarantee provisions of M.S. 298.225. The remaining amount in the fund is distributed using an index based on pupil units and tax capacities. Generally, districts with larger tax capacities per pupil unit tend to receive a proportionately smaller amount of this fund. *Distribution detail in Figure 13.*

4(d) - Taconite Referendum Fund (T.R.F.)

Taconite school districts quality for an additional $175 per pupil unit over and above state aids by passing a special levy referendum equal to 1.8 percent of net tax capacity. The T.R.F. pays the difference between the local levy and $175 per pupil unit. The payment is made on July 15 each year. The fund receives money based on the theoretically escalated portion of the 22-cent school fund. If any money remains in the fund, it is distributed to the Environmental Protection Fund (two-thirds) and the Northeast Minnesota Economic Protection Trust (one-third). Note: A district receiving money from the T.R.F. shall reserve $25 per pupil unit (of the $175 authorized) for early childhood programs or outcome based learning programs. The outcome based programs must be approved by the Commissioner of the Department of Children, Families and Learning. *Distribution detail in Figure 13.*

Subd. 5 - Counties

(a) - The allocation of 16.5-cents per taxable ton to taconite counties (subject to adjustment by M.S. 298.225) is to be distributed under Subd. 5(b) through (d). This 16.5 cents was subject to escalation prior to 1986. By 1986, the 13 cents amount in Subd. 5(b) had increased to 20.52508-cents and was frozen. The 3.5 cents amount for county road and bridge covered in Subd. 5(d) had increased to 5.52598 cents and was also frozen at that level. The amounts listed in (b) and (d) are the statutory amounts prior to escalation. *Distribution detail in Figure 15.*

(b) - Taconite Counties with Mining or Concentrating

Thirteen-cents per taxable ton is distributed to the county in which the taconite was mined or quarried or in which the concentrate is produced (split in same manner as taconite cities and towns), less any amount distributed in Subd. 5(c). *Distribution detail in Figure 15.*

(c) - Counties - Electric Power Plant

If an electric power plant owned by and providing the primary source of power for a taconite plant is located in a county other than the county in which the mining and concentrating processes are conducted, one-cent of the 13.0-cents per ton (for that company) shall be distributed to the county in which the power plant is located. (This one-cent is not escalated, but is subject to M.S. 298.225 adjustment). For 1995, this amounted to $97,936 or 1.3167-cents per taxable ton including the adjustment. The only company whose distribution is affected by this provision is LTV due to their power plant location at Taconite Harbor in Cook County. Their one-cent per ton distribution for the 1983 base year was based on 9,793,639 tons. This amount was carried forward from 1979 based on a previous guarantee. The current year M.S. 298.225 guarantee percentage is always applied.

$97,936 (1983 base) x 100.00% = $97,936

(d) - Taconite Counties Road and Bridge

Each county receives a portion of the aid in the same manner as taconite cities and towns, to be deposited in the county road and bridge fund. The basic allocation is 3.5-cents per taxable ton subject to adjustment as per M.S. 298.225. *Distribution detail in Figure 15.*

Subd. 6 - Taconite Property Tax Relief

(a) - Taconite Property Tax Relief

A total of 15-cents per taxable ton is escalated by the Gross National Product Implicit Price Deflator and is allocated to the Taconite Property Tax Relief Account. The qualifications and distribution of taconite property tax relief are described in the following paragraphs. The escalation feature was frozen for 1991 and 1992. For the 1995 production year, the rate increased to 30.95478 cents-per-taxable ton. For the 1996 production year the escalated rate will be reduced by 2 cents-per-ton which was allocated to the cities and townships under Subd. 2.

The Taconite Homestead Credit reduces the tax paid by owners of certain properties located on the Iron Ranges. The properties receiving this credit are owner-occupied homes and owner-occupied farms. The tax on all of the land comprising the farm is used in determining the amount of credit for a farm. Prior to 1983, the credit on farms was limited to 240 acres.

If an owner-occupied home or farm is located in a city or town which contained at least 40 percent of its valuation as iron ore on May 1, 1941, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66 percent of the tax on that property to a maximum of $308.20 for taxes payable in 1996. If the property is not located in such a city or town, but is located in a school district containing such a city or town, the taconite credit is 57 percent of the tax on the property to a maximum credit of $276 for taxes payable in 1996.

The taconite homestead credit cannot reduce the "effective tax rate" on each parcel of property below 95 percent of the "base year effective tax rate". "Effective tax rate" is the net tax divided by the market value, and the "base year effective tax rate" is the payable 1988 effective tax rate on a property with an identical market value to that of the property receiving, the credit in the current year. The amount of the taconite homestead credit cannot be less than $10.00 per homestead. The total amount of taconite property tax relief paid in each county and school district is listed in Figure 8. An example of the calculation is shown in Figure 9.

The statutory references governing taconite property tax relief are contained in M.S. 273.134 to M.S. 273.136, and M.S. 298.28, Subd. 6. This is guaranteed by the Northeast Minnesota Economic Protection Fund as stated in M.S. 298.293.

(b) - Electric Power Plant Aid From Property Tax Relief

For any electric power plant located in another county (as described in 5c), .1875 cent-per-taxable ton from the Taconite Property Tax Relief account shall be paid to the county. The amount was subject to escalation until frozen for the 1987 production year. The M.S. 298.225 guarantee also applies. For the 1995 production year, the total amount was .30289 cents-per-taxable ton (LTV's taxable tonnage). The frozen escalated rate is .296035 cents-per-taxable ton for Cook County subtracted from LTV's property tax relief distribution. The remaining amount ($509 for 1995) is provided by the M.S. 298.225 guarantee. The guaranteed amount for 1995 is determined by applying the 100 percent guarantee by the $22,529 1983 distribution.

(c) - Electric Power Plant Aid from Property Tax Relief

This subdivision allocates .5625 cents-per- LTV's taxable tonnage to Cook County school district due to the LTV power plant in Cook County. Because of escalation (frozen in 1987), this amounted to .888104 cents-per-taxable tone (LTV tons) for 1995. This school aid is guaranteed at 50 percent or the variable rate, whichever is less. The 1983 base for the school was $67,586. For 1995, no guarantee applies and the distribution is calculated by multiplying the LTV taxable tons and the .888104 cents- per-taxable ton escalated rate.

Subd. 7 - Iron Range Resources & Rehabilitation Board

An amount of three-cents per taxable ton escalated by the Gross National Product Implicit Price Deflator is allocated to this board. These funds are used by the I.R.R.R.B. for general operating expenses and community development grants.

Subd. 8 - Range Association of Municipalities & Schools

This .2-cent per taxable ton is paid to R.A.M.S. for the purpose of providing an area-wide approach to problems which demand coordinated and cooperative actions. All cities, towns, and schools in the taconite and iron ore mining area are included.

Subd. 9 - N.E. Minnesota Economic Protection Trust Fund

In addition to the amount provided in the remainder after all other distributions are completed, 1.5-cents per taxable ton is allocated to the Northeast Minnesota Economic Protection Trust Fund.

(a) - Taconite Economic Development Fund

This subdivision is explained in detail under 'Legislative Changes' on page 7.

Subd. 10 - Indexing

Provides indexing of the cents per ton allocation for Subd. 4(d), Subd. 6(a), Subd. 7 and 9. For the 1992 and 1993 distributions (1991 and 1992 production years), the amount distributed per ton was the same as in 1991.

For the 1994 distribution (1993 production year), the amount distributed was the distribution per ton for 1991 increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator. The index was increased in 1995 and shall be increased in 1996 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subd. 1.

Subd. 11 - Remainder

(a) - After all other aid distributions including school bond credits and payments, taconite railroad, Department of Revenue, and I.R.R.R.B. payments, the remainder shall be distributed two-thirds to the Taconite Environmental Protection Fund and one-third to the N.E. Minnesota Economic Protection Trust Fund. The remainder includes interest earned on monies on deposit by the counties prior to the final distribution.

(b) - Taconite Railroad

Up to 1978, the taconite railroad gross earnings tax was distributed to local units of government based on a formula of 50 percent to schools districts, 22 percent city or town, 22 percent county, and six percent state. The respective shares were further split based on miles of track in each government unit. Beginning in 1978, the distributions were frozen at the 1977 level and funded from production tax revenues. The total amount distributed is $3,160,899. Taconite railroad aids are not subject to the percentage reduction mandated for other aids by M.S. 298.225. Thus, taconite railroad aids remain constant from year to year.

Beginning in 1989, the taconite railroad gross earnings tax was abolished and these railroads were made subject to property tax, the same as other railroads.

Prior to 1989, every taconite railroad paid a 3.75 percent gross earnings tax to the state. Taconite railroads are wholly owned by a mining company and are principally used for the transportation of taconite concentrates. They are not used to haul freight commercially as a common carrier.

(c) - Occupation Tax Grandfather Amount to I.R.R.R.B.

In 1978 and each year thereafter, there has been distributed to the I.R.R.R.B. the amount it received in 1977 from the distribution of the taconite and iron ore occupation taxes. Amount: $1,252,520.

ADDITIONAL PAYMENTS

Although the following payments are not included in M.S. 298.28 or its subdivisions, they are subtracted prior to dividing the remainder described in Subd. 11.

1. Department of Revenue - Minerals Tax Office

Beginning with the 1993 production year (payable 1994), $55,000 per year for two years was appropriated from production tax revenues to the Department of Revenue for costs and expenses incurred in the administration of the Taconite Production Tax. The 1995 legislature increased this appropriation to $75,000 per year (Chapter 254, Article 1, Section 16, Laws of Minnesota for 1995).

2. School Bond Credits and Payments

The legislature has authorized payment of school bonds from taconite revenues at various times. This has been done both with production tax credits for bonds paid by a mining company and direct payments. The first credits were authorized when whole new towns were built for the Erie and Reserve taconite plants in Hoyt Lakes and Silver Bay. Since that time, school bond payments have been authorized by the legislature for most Iron Range school districts. Taconite revenues have been authorized to fund 100, 90, 80, or 70 percent of the bond payment, depending on the school district situation and year authorized. *Distribution detail in Figure 14.*

(a) - A $240,000 payment is made from the production tax to School District 710 for payment of school bonds. An amount equal to four cents-per-taxable ton of Eveleth Mines taxable tonnage is subtracted from money otherwise payable to the Northeast Minnesota Economic Protection Fund. Any remaining amount required to equal $240,000 shall be paid as provided by M.S. 298.225. This payment ends with the 1995 production year.

(b) - The 1982 legislature increased the taconite production tax credit to four cents-per-taxable ton for school district bonds. However, a credit of seven cents-per-taxable ton is allowed for Independent School District 712, Mt. Iron-Buhl. The school bond credits are subtracted from the amount which should otherwise be distributed to the Northeastern Minnesota Economic Fund. These credits are for bond payments made by the companies and are not collected or distributed by the Department of Revenue. Currently, only Mt. Iron-Buhl is covered by the credit.

(c) - The 1988 legislature passed a provision that has the production tax pay a portion of the bonds issued by the following four school districts: 318 (Grand Rapids), 701 (Hibbing), 706 (Virginia), 708 (Tower), and 2142 (St. Louis County). Money for the payments are deducted, in equal shares, from the distributions made to the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Trust. *Distribution detail in Figure 14.*

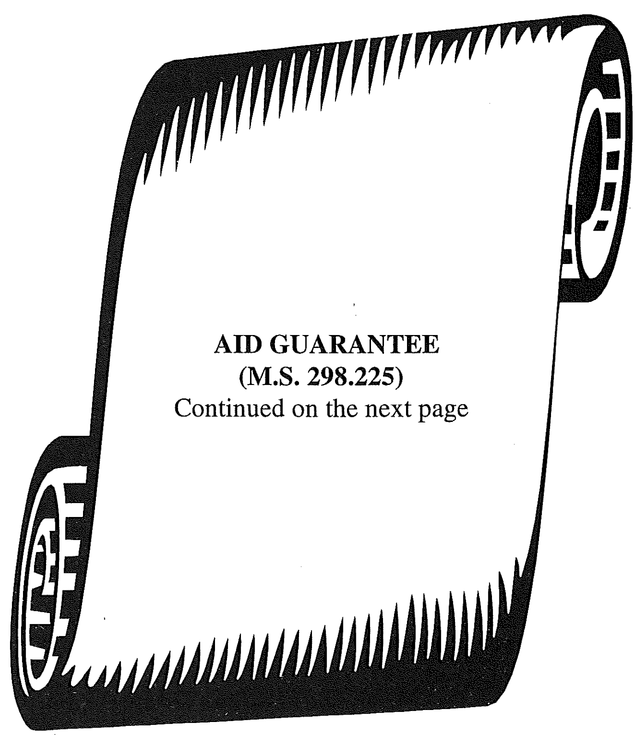
(d) - The 1990 legislature authorized additional school bonds for eight school districts. These payments are made by the respective county auditors from production tax revenues. Money for the payments is deducted in equal shares from the environmental and economic protection funds. *Distribution detail in Figure 14.*

(e) - The 1992 legislature authorized three additional school bond issues. The three districts are Grand Rapids, Lake Superior, and Virginia. Lake Superior and Virginia have issued bonds but Grand Rapids has not been able to get voter approval on a new bond issue as of September 1, 1995.

(f) - The 1996 legislature authorized eight additional school bond issues and re-authorized Grand Rapids. The districts and amounts are listed in the footnote for Figure 14.

AID GUARANTEE (M.S. 298.225)

The recipients of the taconite production tax as provided in M.S. 298.28, subdivisions 2 to 5, subdivision 6, paragraphs (b) and (c), subdivisions 7 and 8 are guaranteed to receive distributions equal to the amount distributed to them with respect to the 1983 production year, provided that production is not less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount distributed from the fund will be reduced proportionately by two percent per each 1,000,000 tons by which the production is less than 42,000,000 tons. For example, if the taxable tonnage (three-year average) is 39,800,000, then the proportionate reduction is 4.4 percent. This is calculated by multiplying two percent times 2.2 million tons. The 1995 guarantee percentage is 100%. This aid guarantee is funded equally from the initial current year distributions to the Taconite Environmental Protection Fund and the Northeast Minnesota Economic Protection Fund. If the initial distributions are insufficient to fund the difference, the Commissioner of the I.R.R.R.B. shall make the payments of any remaining difference from the corpus of the Taconite Environmental Protection Fund and the corpus of the Northeast Minnesota Economic Protection Trust Fund in equal proportions, as directed by the Commissioner of Revenue. The aid payments covered by this variable guarantee are listed as follows:



AID GUARANTEE (M.S. 298.225)

(Continued)

1. 2.5-cents City and Town Fund.
2. 12.3-cents Taconite Municipal Aid.
3. 3-cents escalated to I.R.R.R.B.
4. .2-cents R.A.M.S.
5. .1875-cent power plant transfer from Taconite Property Tax Relief Account to Cook County.

The following funds are guaranteed at 75 percent or the variable guarantee, whichever is less:

1. 13.0-cents Taconite County Fund.
2. 3.5-cents Taconite County Road and Bridge Fund.

The following funds are guaranteed at 50 percent or the variable guarantee, whichever is less:

1. 22-cents School Fund.
2. 5.5-cents School District Fund.
3. Taconite Referendum Fund.
4. .5625-cent power plant transfer from Taconite Property Tax Relief Account to S.D. 166.

The Taconite Property Tax Relief is not covered by M.S. 298.225, but is guaranteed separately by the Economic Protection Fund, as stated in M.S. 298.293.

TACONITE PRODUCTION TAX DISTRIBUTION CALCULATION

The taconite mining companies make the production tax payments directly to six counties (Cook, Lake, St. Louis, Itasca, Crow Wing, and Aitkin) and the I.R.R.R.B. Each county auditor is responsible for making the taconite aid payments to the various jurisdictions within the county. St. Louis County was designated as fiscal agent for the taconite property tax relief account and issues taconite property tax relief checks to the other counties.

The Department of Revenue makes all computations regarding the amount to be paid by the companies and the aid payments due to cities, schools, townships and counties. Interest earnings on undistributed funds are remitted by the counties to the I.R.R.R.B.

The proceeds of the 1995 taconite production tax (payable 1996) are distributed by statute as follows (<u>all figures are cents per taxable ton</u>):

M.S. 298.28,			
Subd. 2	**- Taconite Cities and Towns**		**2.5**
Subd. 3	**- Taconite Municipal Aid Account:**		**12.3**
Subd. 4	**- School Districts -**		
	(b) Taconite schools (mining and/or concentrating in the district):	**5.5**	
	(c) School districts within the taconite relief area (distributed by formula):	**22.0**	
	Basic School District Total:		**27.5**
	(d) Taconite Referendum Fund:	**(formula amount - see page 9)**	
Subd. 5	**- Counties -**		
	(b) Taconite Counties:	**13.0***	
	(c) (includes Electric Power Plant)		
	(d) Taconite Counties Road/Bridge:	**3.5***	
	Counties Total:		**16.5***
Subd. 6	**- Taconite Property Tax Relief (includes .75-cents for Cook County and Cook County schools):**		**15.0****
Subd. 7	**- I.R.R.R.B.:**		**3.0****
Subd. 8	**- Range Association of Municipalities and Schools:**		**0.2**
Subd. 9	**- N.E. Minnesota Economic Protection Fund:**		**1.5****
Subd. 9a	**- Taconite Economic Development Fund:**		**15.4**
Subd. 10	**- Indexing Provisions:**		**---**
Subd. 11	**- Distribution of Remainder:**		**---**

*** Beginning with the 1986 production year, the cents-per-ton distribution was frozen at an escalated rate of 20.52508-cents for the County Fund and 5.52599-cents for the County Road and Bridge Fund. However, the actual distribution may be larger due to M.S. 298.225.**

**** These funds are escalated using the Gross National Product Implicit Price Deflator. After escalation, the cents-per-ton for Taconite Property Tax Relief was 31.1636-cents, I.R.R.R.B. was 6.2327-cents, and the 1.5-cent N.E. Minnesota Economic Protection Fund was 3.1164-cents.** ***The full amount distributed, including escalation and M.S. 298.225 guarantees, is listed in Figure 11.***

Figure 6

NORTHEAST MINNESOTA ECONOMIC PROTECTION TRUST FUND AND ENVIRONMENTAL PROTECTION FUND

Period Ending	Economic Fund Balance	Environmental Protection Fund Balance
December 31, 1983	$28,487,283	
June 30, 1984	27,019,423	
September 30, 1985	28,859,669	
June 30, 1986	31,537,559	
June 30, 1987	31,186,041	
June 30, 1988	31,290,815	
June 30, 1989	31,279,724	
June 30, 1990	36,679,552	$4,027,594
June 30, 1991	42,004,602	4,997,728
June 30, 1992	48,840,406	8,538,918
June 30, 1993	54,084,189	1,459,629
June 30, 1994	57,633,818	1,411,886
June 30, 1995	61,596,404	4,034,811
June 30, 1996	66,451,967	3,638,011

Economic Fund Major Withdrawals

September 27, 1982	$ 2.50 million	I.R.R.R.B. Jobs Program
February 3, 1983	$ 5.00 million	I.R.R.R.B. Jobs Program
May 24, 1983	$10.00 million	I.R.R.R.B. Economic Development
February 25, 1984	$ 2.08 million	Aid guarantees to cities/schools (M.S. §298.225) *
February & May, 1987	$ .46 million	M.S. §298.225
September 26, 1989	$ 1.90 million	Property Tax Relief Guarantee

* This aid guarantee formula was revised by the 1984 legislature so that further withdrawals should not be necessary except during serious depression of the iron ore industry.

The Taconite Area Environmental Protection Fund (TEDF) (M.S.§298.223) and the Northeast Minnesota Economic Protection Trust Fund (NEPF) (M.S. §298.291 through §298.294) were established by the 1977 legislature. These two funds receive the remainder of the production tax revenues after all distributions provided under M.S. §298.28. The remainder is split with one-third going to the economic fund and two-thirds to the environmental protection fund.

The Taconite Environmental Protection Fund was "created for the purpose of reclaiming, restoring and enhancing those areas of Minnesota that are adversely affected by environmentally damaging operations involved in mining and producing taconite and iron ore concentrate". The scope of activities includes local economic development projects. The fund is administered by the I.R.R.R.B. Commissioner. Projects must be approved by the I.R.R.R.B. and the Governor.

The Northeast Minnesota Economic Protection Trust Fund is somewhat different in that only interest and dividends earned by the trust fund may be expended before January 1, 2002. Approval for expenditures from the principle of the trust fund may be made prior to 2002 only with authorization of the full legislature. This has been done on several occasions, as shown in Figure 6.

TACONITE PROPERTY TAX RELIEF

The taconite homestead credits described on page 9 are administered by the county auditors for the eligible relief areas within the county. The amounts payable in 1995 are listed in Figure 8. Total amounts distributed as shown in Figure 8 are determined by the formula described on page 15 and do not equal the total amount of production tax allocated for property tax relief shown in the tables as collections or payments into account.

The difference is carried in the Taconite Property Tax Relief Fund balance with St. Louis County as fiscal agent. If the fund balance and production tax collections are not sufficient to make the payments, the deficit is made up from the Economic Protection Fund. The last time this occured was in 1989 (NOTE: The payments out by formula are split between the local municipalities, counties, and schools based upon the current local tax rate).

Figure 7

TACONITE PROPERTY TAX RELIEF FUND BALANCE

Year Payable	Payments into Account*	Interest Earned**	Payments Out (by formula)	Balance December 31
1985	$ 8,884,100	N/A	$10,357,400	$ 3,041,834
1986	9,398,900	$ 426,700	10,572,700	2,308,000
1987	9,122,400	449,800	10,971,500	908,700
1988	9,727,800	325,700	10,883,300	79,000
1989***	5,904,200	214,400	8,081,000	9,211
1990	9,569,872	438,580	7,651,586	2,366,077
1991	10,848,818	505,139	7,914,709	5,805,325
1992	10,891,942	411,356	8,308,617	8,800,006
1993	10,847,642	437,219	8,980,640	11,104,227
1994	11,783,383	712,838	11,136,577	12,463,871
1995	12,143,854	1,087,081	11,758,988	13,935,818
1996	13,055,526	(Est) 1,000,000	(Est)12,360,000	(Est) 15,631,344
1997 (Est)	12,735,541			

* Listed under year payable, 1996 payments result from 1995 production.
** Managed by Dept. of Finance and no interest paid to fund prior to 1986. Other factors such as money returned by schools was not researched. St. Louis County began a fiscal agent 1986. Also includes minor amounts of incorrect homestead claims repaid.
*** A deficit of $1,892,536 was covered by a transfer from the N.E. Minnesota Economic Protection Trust Fund.

Figure 8

TACONITE PROPERTY TAX RELIEF FUND DISTRIBUTION

Total Listed by School District Area:

	Mobile Home	Real Property
001 -Aitkin	$ 3,688	$ 717,283
166 - Cook County	2,778	357,942
182 - Crosby-Ironton	8,002	809,227
316 - Coleraine	7,705	614,711
318 - Grand Rapids	24,273	1,937,665
319 - Nashwauk-Keewatin	1,691	240,833
381 - Lake Superior	4,303	1,171,326
695 - Chisholm	356	469,455
696 - Ely	1,495	441,272
701 - Hibbing	9,400	1,137,196
706 - Virginia	1,620	527,557
712 - Mt. Iron-Buhl	1,980	304,937
2142 - St. Louis County	8,997	1,488,258
2154 - Eveleth-Gilbert	2,822	766,180
2711 - Mesabi East	2,660	692,093
TOTAL (PAYABLE 1995)	**$83,053**	**$11,675,935**

Total Listed by County Area:

	Mobile Home	Real Property	Grand Total
St. Louis (69)	$29,896	$ 6,017,155	**$ 6,047,051**
Itasca (31)	34,952	2,793,209	**2,828,161**
Lake (38)	3,719	974,842	**978,561**
Crow Wing (18)	8,136	843,620	**851,756**
Aitkin (01)	3,554	682,890	**686,444**
Cook (16)	2,778	357,942	**360,720**
Koochiching (36)	18	6,277	**6,295**
TOTAL: (Payable 1995)	**$83,053**	**$11,675,935**	**$11,758,988**

Mobile homes are taxed differently than other real estate in that they are assessed and taxed in the same year.

The aid amounts listed in Figure 12 and 13 do not include taconite property tax relief.

The supplemental taconite property tax relief paid from general fund revenues to Deer River and Floodwood is not included in any of the production tax tables.

Figure 9

57% & 66% TACONITE HOMESTEAD CREDIT EXAMPLE

TAXES PAYABLE 1995

	GROSS TAX COMPUTATION	57%	66%
1	Total Market Value	$50,000.00	$50,000.00
2	Net Tax Capacity	$ 500.00	$ 500.00
3	Local Tax Rate	115.000%	115.000%
4	Net Tax Capacity Tax (2 x 3)	$ 575.00	$ 575.00
5	Referendum Tax Rate	0.09500%	0.09500%
6	Referendum (5 x 1)	$ 47.50	$ 47.50
7	Total Gross Tax (4 + 6)	$ 622.50	$ 622.50
8	Preliminary Taconite Credit (7 x 57%, maximum $276.00)	$ 276.00	
	or (7 x 66%, maximum $301.30)		$ 301.30
9	Preliminary Net Tax (7-8)	$ 346.50	$ 321.20
10	Pay 1988 Assessed Value (1 x 17%)	$ 8,500.00	$ 8,500.00
11	Pay 1988 Mill Rate	190 mills	190 mills
12	Pay 1988 Gross Tax (10 x 11)	$ 1,615.00	$ 1,615.00
13	Pay 1988 Homestead Credit (12 x 54%, $700 minimum)	$ 700.00	$ 700.00
14	Pay 1988 Tax After Homestead Credit	$ 915.00	$ 915.00
15	Pay 1988 Taconite Credit*	$ 393.06*	$ 418.36**
16	Pay 1988 Net Tax (14 - 15)	$ 521.94	$ 496.64
17	Base Year Effective Tax Rate (16 ÷ 1)	1.0439%	0.9933
18	Minimum Effective Tax Rate (95% x 17)	0.9917%	0.9436
19	Pay 1995 Effective Tax Rate (9 ÷ 1)	0.6930%	0.6424
20	Adjusted Pay 1995 Effective Tax Rate (Greater of 18 or 19)	0.9917%	0.9436
21	Final Net Tax (20 x 1)	$ 471.80	$ 471.80
22	Final Pay 1995 Taconite Credit (7 - 21)	$ 150.70	$ 150.70

* 57% of the first $596 included on line 14 with a maximum credit of $220.80, plus 54% of line 14 over $596 with a maximum credit of $259.20. The total maximum credit is $480.

** 66% of the first $596 included on line 14 with a maximum credit of $246.10, plus 54% of line 14 over $596 with a maximum credit of $288.90. The total maximum credit is $535.

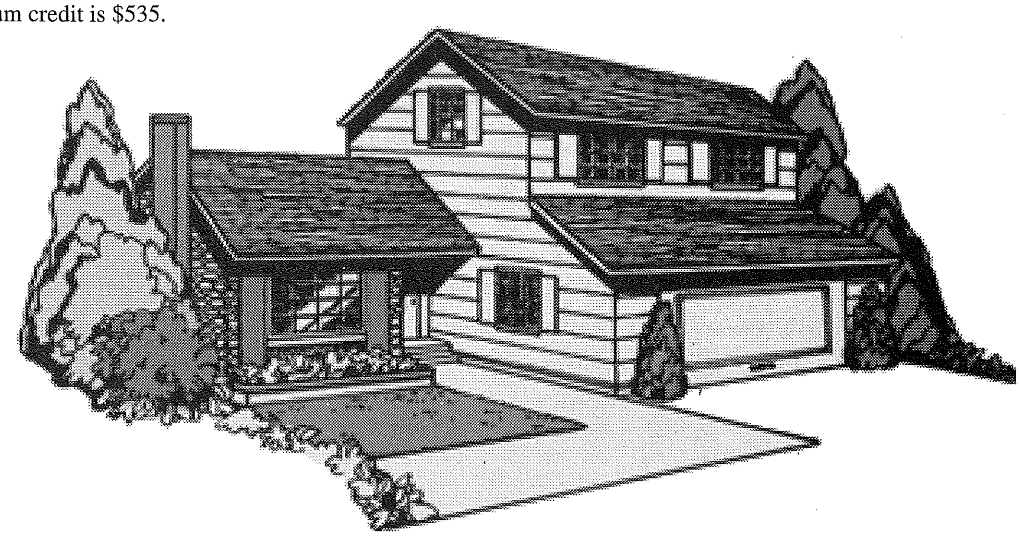
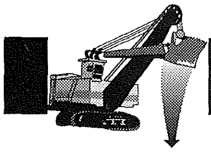


Figure 10



CENT-PER-TON PRODUCTION TAX DISTRIBUTION -- 1996

(1995 Production Year)

Aid Recipient	Cents Per Taxable Ton
Taconite Cities and Towns	3.3
Taconite Municipal Aid	16.5
School Districts	40.4*
County	23.3
County Road And Bridge	6.2
Taconite Property Tax Relief	31.0
I.R.R.R.B	9.7
R.A.M.S.	.2
Taconite Railroad Grandfather Amount	7.5
Taconite Environmental Protection Fund	30.0
N.E. Minnesota Economic Protection Fund	11.1
Taconite Economic Development Fund	16.7
School Bond Credits and Payments	9.3
State of Minnesota	.2
	205.4

* 33.1-cents-per-ton will be subtracted from state aids or levies a taconite school district would otherwise receive. The 5.5-cent and 22-cent school funds and the school portion of taconite railroad funds are subtracted while the taconite referendum money is in addition to state aid.

1995 PRODUCTION TAX DISTRIBUTION

The production tax distributed in 1996 is the 1995 tax due. The taconite production tax rate for concentrates produced in 1995 was $2.054 per taxable ton. The taxable tons for the 1995 produced are the average tonnage produced in 1993, 1994, and 1995.

The flowchart on the inside front cover attempts to provide a simple and easy to understand picture of where the production tax of $2.054 per taxable ton is distributed. This is a very complex subject with many legal requirements and provisions. This flowchart shows both the cents-per-ton distribution, as indicated above, and the total amount distributed to various funds. These total amounts can also be found on the tables following the flowchart. The various funds to which money is distributed are explained in the preceding several pages titled "Distribution of the Taconite Production Tax".

If you have any questions concerning this subject, please contact the Minerals Tax Office. The address and telephone number are listed on the inside back cover.

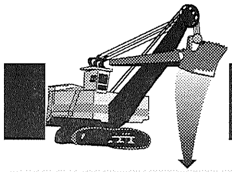


Figure 11

TACONITE PRODUCTION TAX DISTRIBUTION*

PRODUCTION YEAR	1990	1991	1992	1993	1994	1995
City and Township	$1,357,960	$1,356,690	$1,348,197	$1,321,616	$1,337,932	$1,388,842
Taconite Municipal Aid	6,797,130	6,791,732	6,750,637	6,620,791	6,689,911	6,941,010
School District -- Regular	2,555,904	2,524,558	2,486,989	2,418,109	2,425,449	2,499,143
School District Fund	9,899,052	9,785,511	9,644,654	9,373,812	9,396,265	9,681,360
Taconite Referendum Fund	4,982,178	4,982,319	4,970,333	4,971,966	4,923,657	4,853,151
County	9,894,236	9,846,561	9,806,650	9,642,040	9,677,788	9,835,295
County Road and Bridge	2,628,013	2,615,419	2,604,696	2,560,487	2,561,491	2,603,669
Taconite Property Tax Relief	10,848,818	10,891,942	10,847,642	11,783,383	12,143,854	13,055,526
State	55,000	55,000	55,000	55,000	55,000	75,000
I.R.R.R.B. ($.03 Indexed)	2,548,451	2,538,079	2,525,239	2,671,666	2,687,126	2,821,445
Range Association of Municipalities and Schools	108,230	108,128	107,449	105,348	106,632	110,689
Taconite Railroad (Fixed)	3,160,899	3,160,899	3,160,899	3,160,899	3,160,899	3,160,899
I.R.R.R.B. (Fixed)	1,252,520	1,252,520	1,252,520	1,252,520	1,252,520	1,252,520
710 School Bond Payment	240,000	240,000	240,000	240,000	240,000	240,000
Other School Bond Payments	1,751,132	1,957,293	2,280,376	2,732,470	2,643,181	2,763,131
Taconite Environmental Protection Fund	15,352,862	17,618,006	14,604,537	11,174,329	11,462,347	12,669,494
N.E. Minnesota Economic Protection Fund	5,497,261	6,686,660	5,144,724	3,476,930	3,875,826	4,697,905
Taconite Economic Development Fund	----	----	4,204,840	6,634,406	6,860,477	7,055,575
TOTAL	**$78,929,646**	**$82,411,317**	**$82,035,382**	**$80,195,972**	**$81,500,355**	**$85,704,654**

* The production tax is collected and distributed in the year following production, e.g., the 1995 production tax was collected and distributed during 1996.

Figure 12

TACONITE PRODUCTION TAX DISTRIBUTIONS TO CITIES & TOWNSHIPS - 1996

(Based upon 1995 Production Year Tax Revenues--Not including Taconite Property Tax Relief Dollars)

Name	Mining & Concentrating	Taconite Municipal Aid	Taconite Railroad*	Total
COOK COUNTY				
Schroeder Township	---	0	$47,700	**$47,700**
CROW WING COUNTY				
Crosby	---	$147,072	---	**147,072**
Ironton	---	44,148	---	**44,148**
Riverton	---	5,331	---	**5,331**
Trommald	---	3,690	---	**3,690**
Irondale Township	---	18,502	---	**18,502**
Rabbitt Lake Township	---	4,290	---	**4,290**
Wolford	---	1,929	---	**1,929**
ITASCA COUNTY				
Bovey	---	87,878	---	**87,878**
Calumet	---	47,819	---	**47,819**
Cohasset	---	0	---	**0**
Coleraine	---	110,360	---	**110,360**
Keewatin	$24,329	132,317	---	**156,646**
Marble	---	73,057	---	**73,057**
Nashwauk	14,908	143,970	---	**158,878**
Taconite	---	40,070	---	**40,070**
Grand Rapids Township	---	3,675	---	**3,675**
Greenway Township	18,986	41,099	---	**60,085**
Iron Range Township	---	13,595	---	**13,595**
Lone Pine Township	6,220	2,820	---	**9,040**
Nashwauk Township	45,537	37,206	---	**82,743**
LAKE COUNTY				
Silver Bay	107,227	247,443	152,706	**507,376**
Beaver Bay Township	---	---	12,565	**12,565**
Crystal Bay Township	---	---	6,951	**6,951**
Silver Creek Township	---	---	20,612	**20,612**
Stony River Township	---	---	19,943	**19,943**
ST. LOUIS COUNTY				
Aurora	0	175,768	---	**175,768**
Babbitt	90,253	170,683	166,767	**427,703**
Biwabik	---	121,654	---	**121,654**
Buhl	---	119,328	---	**119,328**
Chisholm	---	539,425	---	**539,425**
Ely	---	323,371	---	**323,371**
Eveleth	36,966	385,703	---	**422,669**
Gilbert	19,376	202,211	---	**221,587**
Hibbing	286,543	1,405,254	---	**1,691,797**
Hoyt Lakes	210,397	277,476	152,153	**640,026**
Kinney	6,023	54,894**	---	**60,917**
Leonidas	3,091	11,862	---	**14,953**
McKinley	---	18,422	---	**18,422**
Mountain Iron	343,134	367,466	---	**710,600**
Virginia	26,337	921,526	---	**947,863**
Balkan Township	---	73,632	---	**73,632**
Bassett Township	---	---	11,745	**11,745**
Biwabik Township	0	54,137	---	**54,137**
Breitung Township	---	17,829	---	**17,829**
Eagle's Nest Township	---	0	---	**0**
Fayal Township	1,790	52,575	---	**54,365**
Great Scott Township	9,895	24,464	---	**34,359**
McDavitt Township	71,659	25,739	---	**97,398**
White Township	28,059	380,672**	---	**408,731**
Wuori Township	38,112	10,648	---	**48,760**
TOTAL	**$1,388,842**	**$6,941,010**	**$591,142**	**$8,920,994**

* Fixed amount based on 1977 Taconite Railroad Gross Earnings Tax distributions. ** Includes amount from M.S. §298.28, Subd. 1, Clause (2) (b).
--- Indicates not eligible. 0 indicates eligible, but no payment at current valuation and production.

Figure 13

TACONITE PRODUCTION TAX DISTRIBUTIONS TO SCHOOL DISTRICTS - 1996

School Districts	$.055	$.22	Taconite Railroad	Taconite Referendum	Total
001 Aitkin	---	$293,253	---	$183,206	$476,459
166 Cook County	$66,059	68,245	$427,383	37,552	599,239
182 Crosby-Ironton	---	342,003	---	221,994	563,997
316 Coleraine	51,975	1,093,888	---	332,712	1,478,575
318 Grand Rapids	---	707,221	---	480,572	1,187,793
319 Nashwauk-Keewatin	126,507	403,891	---	162,702	693,100
381 Lake Superior	128,672	745,043	552,774	424,799	1,851,288
695 Chisholm	---	671,953	---	226,646	898,599
696 Ely	---	272,705	---	167,212	440,033
701 Hibbing	509,319	1,452,497	---	655,793	2,617,609
706 Virginia	132,639	838,271	---	359,079	1,329,989
712 Mt. Iron-Buhl	730,111	474,132	---	225,141	1,429,384
2142 St. Louis County	238,516	842,622	459,421	616,625	2,157,184
2154 Eveleth-Gilbert	116,913	837,616	---	363,481	1,318,010
2711 Mesabi East	398,432	637,904	345,802	395,637	1,777,775
TOTALS:	**$2,499,143**	**$9,681,360**	**$1,785,380**	**$4,853,151**	**$18,819,034**

Figure 14

TACONITE PRODUCTION TAX SCHOOL BOND CREDITS AND PAYMENTS

(Payments during 1996 and 1997 from 1995 production year revenues.)

School Districts	Year Authorized(1	Final Payment Year(2	Credit	Payment	Total	Outstanding Balance(3
166 Cook County (4	**1996**	N/A	---	---	---	---
316 Coleraine	1990	2009	---	$ 76,000	$ 76,000	$445,641
316 Coleraine	**1996**	N/A	---	---	---	---
318 Grand Rapids	1988	1997	---	111,864	111,864	200,000
318 Grand Rapids	**1996**	N/A	---	---	---	---
381 Lake Superior	1992	2003	---	60,435	60,435	695,625
381 Lake Superior	1990	1995	---	57,652	57,652	0
695 Chisholm	1990	2005	---	320,000	320,000	1,342,416
696 Ely	1990	2000	---	114,480	114,480	484,000
696 Ely	**1996**	N/A	---	---	---	---
701 Hibbing	1988	1999	---	348,895	348,895	1,225,625
701 Hibbing	**1996**	N/A	---	---	---	---
706 Virginia	1988	2003	---	217,812	217,812	1,264,000
706 Virginia	1992	2012	---	327,983	327,983	4,860,123
706 Virginia	**1996**	N/A	---	---	---	---
712 Mt. Iron-Buhl (4	1982	1998	$829,009	---	829,009	1,663,987
2142 St. Louis Cty. (Babbitt)	1990	1996	---	96,960	96,960	96,000
2142 St. Louis Cty. (Tower)	1988	2003	---	90,768	90,768	516,000
2142 St. Louis County	1990	1996	---	432,050	432,050	420,000
2142 St. Louis County (4	1988	2003	---	108,232	108,232	650,000
2142 St. Louis County	1982	1995	---	240,000	240,000	0
2142 St. Louis County	**1996**	N/A	---	---	---	---
2154 Eveleth-Gilbert (Eveleth)	1990	2006	---	320,000	320,000	1,348,452
2154 Eveleth-Gilbert (Gilbert)	1990	2009	---	80,000	80,000	437,534
2154 Eveleth-Gilbert	**1996**	N/A	---	---	---	---
2711 Mesabi East	**1996**	N/A	---	---	---	---
TOTALS:			**$829,009**	**$3,003,131**	**$3,832,140**	**15,649,403**
Bonds authorized by 1996 legislature but not yet issued (5						20,148,000
GRAND TOTAL:						**$35,797,403**

(1 Legislative year in which taconite funding was enacted.

(2 Production year from which final bond payment will be deducted. N.A. indicates that the school district has not yet passed bond referendum.

(3 Estimated portion of outstanding bond balance to be paid by taconite funds (not including interest).

(4 All taconite bonds funded at 80% taconite, 20% local effeort unless otherwise noted (4 St. Louis County 1988 - 100%, Mt. Iron-Buhl 1982 - 90%, Cook County 1996 - 70%.

(5 Funded @ 80%: No. 316 - $500,000, No. 318 - $5,600,000, No. 696 - $1,000,000, No. 701 - $2,200,000, No. 706 - $6,000,000, No. 2142 - $3,000,000, No. 2154 - $3,600,000, No. 2711 - $800,000. Funded 70%: No. 166 - $9,240,000.

Figure 15

TACONITE PRODUCTION TAX DISTRIBUTIONS TO COUNTIES - 1996

PRODUCTION YEAR 1995

(Does not include dollars from Taconite Property Tax Relief)

County	Regular County 13.0-Cents	Road & Bridge 3.5-Cents	Taconite Railroad	Total
Cook	$ 120,465	0	$187,190	$ 307,655
Itasca	627,418	$ 161,914	0	789,332
Lake	726,844	187,573	243,034	1,157,451
St. Louis	8,360,568	2,254,182	354,153	10,968,903
TOTAL	**$9,835,295**	**$2,603,669**	**$784,377**	**$13,223,341**

Figure 16

TACONITE PRODUCTION AND TAX REVENUE - BY COMPANY

PRODUCTION YEAR 1995

Company	Production Tons	Taxable* Tonnage	Production Tax Rate	Tax Collected** After Credits
Eveleth	5,141,072	4,375,828	$2.054	$ 8,987,951
Hibbing	8,386,431	7,940,862	2.054	16,310,531
Inland	2,560,350	2,491,803	2.054	5,118,163
LTV Steel	7,440,366	7,438,208	2.054	15,278,079
National	5,026,048	3,172,480	2.054	6,516,274
Northshore	3,658,130	3,499,713	2.054	7,188,411
USX	12,788,787	13,257,233	2.054	26,305,245
TOTAL	**45,001,184**	**42,176,127**	**$2.054**	**$85,704,654**

ESTIMATED FOR PRODUCTION YEAR 1996

Company	Production Tons	Taxable* Tonnage	Production Tax Rate	Tax Collected** After Credits
Eveleth	4,200,000	4,734,000	$2.094	$ 9,914,000
Hibbing	7,800,000	8,126,000	2.094	17,016,000
Inland	2,500,000	2,524,000	2.094	5,285,000
LTV Steel	7,000,000	7,304,000	2.094	15,294,000
National	4,500,000	3,753,000	2.094	7,859,000
Northshore	4,000,000	3,698,000	2.094	7,743,000
USX	12,500,000	12,920,000	2.094	26,443,000
TOTAL	**42,500,000**	**43,059,000**	**$2.094**	**$89,554,000**

* The taxable tonnage is the average production of the current year and previous two years.

** Production tax revenue after school bond credits have been taken.

Figure 17

1995 PRODUCTION BY PRODUCT TYPE

COMPANY	PELLETS ACID	PELLETS FLUX	PELLETS PARTIAL FLUX*	CHIPS AND FINES ACID	CHIPS AND FINES FLUX	CHIPS AND FINES FINE CONC.	TOTAL
Eveleth	---	---	5,090,461	---	50,611	---	**5,141,072**
Hibbing	8,386,431	---	---	---	---	---	**8,386,431**
Inland	---	2,499,224	---	---	61,126	---	**2,560,350**
LTV	7,045,073	---	---	395,293	---	---	**7,440,366**
National	---	---	5,010,785	---	---	15,263	**5,026,048**
Northshore	---	2,309,633	1,306,471	---	---	42,026	**3,658,130**
USX	---	12,788,787	---	---	---	---	**12,788,787**
TOTAL:	**15,431,504**	**17,597,644**	**11,407,717**	**395,293**	**111,737**	**57,289**	**45,001,184**

*Partial flux pellets contain less than 2.00% flux.

Acid Production:	15,884,086	Total Pellets:	44,436,865
Flux Production:	29,117,098	Total Chips & Fines:	654,319
	45,001,184	Grand Total:	**45,001,184** (dry with flux subtracted)

Figure 18

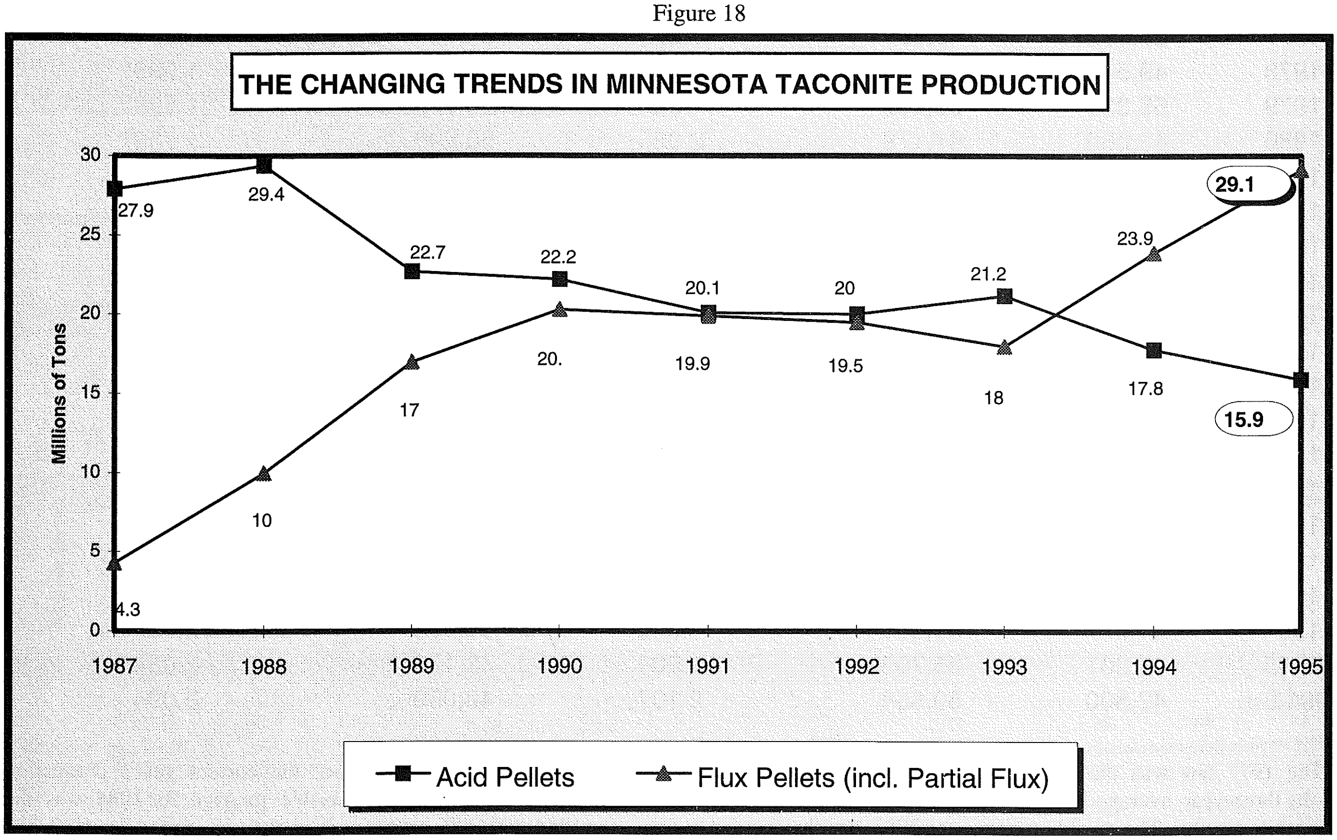
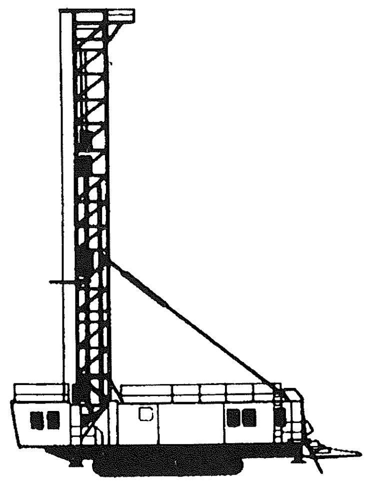


Figure 19

TACONITE PRODUCED AND PRODUCTION TAX COLLECTED



Year	Production Tons	Production Tax Collected (000)	Collected Rate Per Production Ton	Taxable Tons*	Tax Rate per Taxable Ton
1955	1,341	$78	$0.06		
1956	5,069	297	0.059		
1957	6,812	397	0.058		
1958	8,574	500	0.058		
1959	8,414	528	0.063		
1960	13,390	735	0.055		
1961	13,187	766	0.058		
1962	14,526	842	0.058		
1963	16,701	972	0.058		
1964	18,505	1,075	0.058		
1965	19,004	1,104	0.058		
1966	21,677	1,257	0.058		
1967	24,311	1,427	0.059		
1968	30,269	1,782	0.059		
1969	33,410	3,778	0.113		
1970	35,348	4,253	0.12		
1971	33,778	5,539	0.164		
1972	34,544	7,002	0.203		
1973	41,829	10,159	0.243		
1974	41,053	11,952	0.291		
1975	40,809	30,347	0.744		
1976	40,575	30,857	0.76		
1977	26,372	48,891	1.854	37,759	$1.295*
1978	49,545	69,394	1.401	49,614	1.399*
1979	55,333	88,485	1.599	55,373	1.598*
1980	43,060	87,179	2.025	50,296	1.733*
1981	49,369	99,018	2.006	51,799	1.916*
1982	23,445	80,305	3.425	38,624	2.078*
1983	25,173	67,341	2.675	33,302	2.047*
1984	35,689	64,514	1.876	35,689	2.107
1985	33,265	65,092	1.957	34,477	2.048
1986	25,451	48,658	1.912	31,468	1.900
1987	32,043	51,184	1.597	29,039	1.900
1988	39,485	57,402	1.454	32,326	1.900
1989	39,375	72,149	1.832	36,968	1.975
1990	42,522	78,930	1.856	40,461	1.975
1991	39,922	82,411	2.064	40,606	2.054
1992	38,850	82,035	2.112	40,431	2.054
1993	39,850	80,196	2.012	39,541	2.054
1994	41,677	81,500	1.956	40,126	2.054
1995	45,001	85,705	1.904	42,176	2.054
1996 Est.	42,500	89,554	2.107	43,059	2.094

* The 1977 law was the first to apply the production tax rate against "taxable tons", the greater of the current year's production or the three-year average of production tons. Due to a negotiated settlement of court cases, the taxable tonnage for 1984 was the current year only. The taxable tonnage for 1985 was the average tonnage for 1984 and 1985. A three-year average is used for 1986 and beyond.

DIRECT - REDUCED IRON (DRI)

The interest in recent years about DRI worldwide has caused some taconite producers to explore the possibility of building such a plant in Minnesota. Recognizing this trend the legislature has taken measures to encourage a DRI plant in Minnesota.

1995 LEGISLATION

The 1995 Legislature provided that up to $10 million could be withdrawn from the corpus of the Northeast Minnesota Economic Protection Fund (2002 Fund) to make ***loans*** of up to $5 million for constructing and equipping:

1) a value-added iron products plant (DRI), or
2) a new mine or minerals processing plant for non-ferrous minerals.

1996 LEGISLATION

The 1996 Legislature provided that an additional $3 million could be withdrawn from the corpus of the 2002 Fund for ***grants*** for these purposes with an additional $2 million reserved for such grants from the first earnings of the corpus after June 30, 1996.

A total of $15 million is authorized by the combined 1995 and 1996 legislation: $13 million from the 2002 fund corpus and $2 million from the interest off the corpus.

A single DRI or non-ferrous project could receive up to a $5 million loan and a $5 million grant through this legislation prior to the sunset date of June 30, 1998.

REDUCED PRODUCTION TAX RATE FOR DRI

The 1995 Legislature established a reduced production tax rate for DRI. This provides that the first five years of a DRI plant's production are subject to the reduced rate:

Production Tons	% of Regular Rate
the first 500,000 of production	25%
any additional production	50%

After the first five years of production, the tons of DRI produced will be *taxed at the same rate as all other taconite pellets.* This rate for 1996 production is $2.094. Each DRI producer is also eligible for the return of up to 20.4 cents a ton through the Taconite Economic Development Fund.

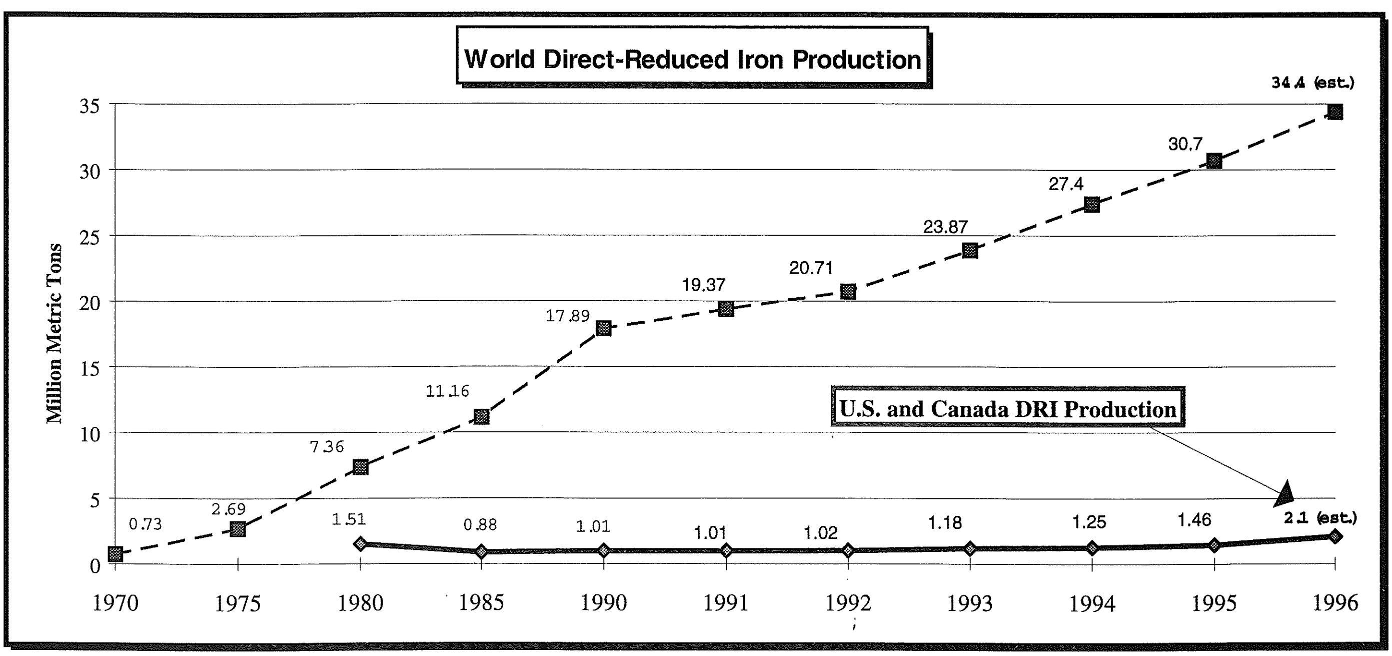
Three year average "taxable tons"

If the taxpayer had no production in the two years prior to the current production year, the taxable tonnage would be 500,000 / 3 or 166,667, due to the three-year average provision used to determine "taxable tons".

Since DRI producers are subject to the taconite production tax, the property tax exemption applies.

If an existing taconite producer sells concentrate to a separate company producing DRI in Minnesota, the concentrate will not be taxed to the seller, but will be taxed as DRI production to the buyer.

Figure 20



IRON RANGE RESOURCES AND REHABILITATION BOARD

The IRRRB is an agency charged with the economic development and diversification of a region of northeastern Minnesota defined by Minnesota Statute §273.134 as the Taconite Tax Relief Area (TTRA), including all or parts of Cook, Lake, St. Louis, Itasca, Aitkin and Crow Wing Counties. The IRRRB was created in 1941 as part of a legislative compromise to limit ad valorem taxes on mining, and while it was funded from occupation taxes for the first thirty years of its existence, it is now funded from taconite production taxes levied on mining operations in lieu of local property taxes. The agency receives no operational funding from the State General Fund. The production tax essentially replaces the local tax obligations that the taconite producers would otherwise have to local governments. This fact, coupled with the unique problems that confront the TTRA because of the area's dependence on Minnesota's taconite industry and the cyclical nature of the steel industry it serves, are reasons why the legislature has directed the IRRRB to serve the northeastern region of the state.

The IRRRB is headquartered in Eveleth, Minnesota. The agency is directed by a commissioner who is appointed by the governor. The commissioner is advised by a board comprised of five state senators and five state representatives, a majority of whom must come from TTRA districts, as well as the commissioner of the Minnesota Department of Natural Resources.While economic development of the TTRA through loans and grants to businesses and local governments is the IRRRB's main focus, the agency also owns and operates two tourism facilities, the Giants Ridge Recreation Area near Biwabik and the Ironworld Discovery Center in Chisholm. Giants Ridge currently is an alpine and Nordic skiing facility; however, a new eighteen-hole golf course that willl expand its season into the summer and fall is scheduled to open in May of 1997. Ironworld Discovery Center is a historical theme park which preserves and celebrates Iron Range history and culture. The complex includes the Iron Range Research and Interpretative Centers, a railroad system, a festival park and various entertainment facilities. Ironworld is also home to the IRRRB's Mineland Reclamation division, which undertakes safety, environmental and economic redevelop-ment projects on abandoned minelands of the pre-taconite era, often in coopèration with adjacent communities. Each year the IRRRB Mineland Reclamation grows and plants 300,000 containerized seedlings on the Mesabi, Vermilion and Cuyuna iron ranges. The IRRRB also funds tourism promotional activities in cooperation with the Northern Lights Tourism Alliance. It constructs and grooms snowmobile and other trails to enhance tourism and quality of life, and operates a Building Demolition program that razes dilapidated structures to make room for new development and enhancement of the local tax base. For the past several years, Commissioner Jim Gustafson has served as the chair of the Governor's Task Force on Mining and Minerals, a group charged with recommending actions that will sustain and enhance the long-term viability of mining in the region and the state.

In Fiscal Year 1997, the IRRRB has budgeted $35,866,563 to deliver the projects, programs and activities mentioned above. It will do so with a budgeted complement of 98 full-time employees as well as a number of temporary and seasonal personnel.

The following pages include additional detail on the FY 97 Budget as well as a table detailing the $24,755,298 made available to the seven Minnesota taconite producers for investments in new equipment, facilities and research through the rebate of production tax from the Taconite Economic Development Fund (M.S. §298.227).

The I.R.R.R.B. also provided $20,748,375 in the form of grants and loans for similar uses through its Taconite Assistance Program and other assistance to taconite producers.

Over the years 1993-96, the IRRRB has re-invested a total of $45,503,673 in the Minnesota taconite industry through these programs.

Figure 21

FY 97 IRRRB BUDGET

(As approved by the IRRR Board on August 6, 1996)

Sources of Funds:	All Accounts	Board	TEPF	NEPF	Supp Tax
Carry Forward Monies					
Carry Forward From Prior Years	12,818,960	(3,380,402)	3,538,011	12,661,351	0
Taconite Production Taxes (Received in 1996)	17,165,219	4,073,965	12,669,494		421,760
Receipts:					
Interest on Invested Cash	5,000,000	400,000	1,500,000	3,100,000	
Net Giants Ridge/Golf Course Bonding Proceeds	3,674,625	3,674,625			
Payback on Loans & Projects	1,838,525	158,863		1,679,662	
Giants Ridge Recreational Area	2,269,674	2,269,674			
Ironworld Discovery Center	527,930	527,930			
Other Departmental Earnings	237,293	107,293	130,000		
Total Sources of Funds	**43,532,226**	**7,831,948**	**17,837,505**	**17,441,013**	**421,760**
BUDGETED USES OF FUNDS:	**FY 97**	**Board**	**TEPF**	**NEPF**	**Supp Tax**
Programs Division					
Business Development Program	10,825,127			10,825,127	
Mining Grant Reserve (for DRI or non-ferrous facilities)	2,000,000			2,000,000	
Community Development Program	9,394,778	1,362,018	5,825,000	1,800,000	407,760
Public Information Program	308,282	308,282			
Tourism Program	1,187,854		1,187,854		
Research and Planning Program	941,704	941,704			
Facilities Division					
Giants Ridge Recreational Area	4,740,100	1,760,000	2,980,100		
Ironworld Discovery Center	2,422,119		2,422,119		
Mineland Reclamation	895,346		895,346		
Trails	468,338		468,338		
Building Demolition	304,456		304,456		
Eveleth Maintenance/Shop	530,183	530,183			
Administrative Services Division					
General Support	1,355,147	551,147	600,000	190,000	14,000
Information Systems	238,829	238,829			
Human Resources	254,300		254,300		
Total Budgeted Uses of Funds	**35,866,563**	**5,692,163**	**14,937,513**	**14,815,127**	**421,760**
Carry Fwd Unobligated "Position" to FY 98	**7,665,663**	**2,139,785**	**2,899,992**	**2,625,886**	**0**
	All Accounts	**Board**	**TEPF**	**NEPF**	**Supp Tax**

TEPF is the Taconite Area Environmental Protection Fund (page 13).
NEPF is the Northeast Minnesota Economic Protection Trust Fund (page 13).
Board is specific amount appropriated to the IRRRB from Production Tax (page 10, subd. 7 and subd. 11 (c).
Supplemental Tax is an amount appropriated from Occupation Tax for Koochiching and Carlton Counties (page 28).
FY 97 is the fiscal year from July 1, 1996 through June 30, 1997.

Figure 22

TACONITE ECONOMIC DEVELOPMENT FUND

DISTRIBUTION TO NORTHEAST MINNESOTA TACONITE PRODUCERS*

Summary

*Payable 1993, 1994, 1995 & 1996 (on 92, 93, 94, & 95 Production)***

Company	1993	1994	1995	1996 Project	1996 Amount		Total Amount		Per Company
Eveleth Mines	$393,921	$586,435	Pending $619,559	Pending	Pending	$725,855	Paid Pending	$ 980,356 +1,345,414	$2,325,770
Hibbing Taconite	$830,446	$1,183,863	$1,192,889	Miscellaneous plant and equipment improvements	Paid	$1,222,893	Paid	$4,430,091	$4,430,091
Inland Steel	$232,709	$444,761	$482,218	Pellet plant maintenance shop, plant and equip. improvements	Paid	$446,514	Paid	$1,606,202	$1,606,202
LTV Steel Mining	$738,686	$1,456,052	$1,499,051	Pending	Pending	$1,527,148	Paid Pending	$3,693,789 +1,527,148	$5,220,937
National Steel	$508,134	$647,185	$547,117	Pellet screening plant	Paid	$504,237	Paid	$2,206,673	$2,206,673
Northshore Mining	$199,844	$348,384	$500,461	Pending	Pending	$587,314	Paid Pending	$1,048,689 +587,314	$1,636,003
USX - Minnesota Ore Operations	$1,301,100	$1,967,726	$2,019,182	Pending	Pending	$2,041,614	Paid Pending	$5,288,008 +2,041,614	$7,329,622
Amount Paid	$4,204,840	$6,634,406	Paid $6,240,918	*in accordance with M.S. §298.227*		$1,669,407 $5,386,168	Paid	$18,749,571	
Amount Pending	-0-	-0-	Pending 619,559			$7,055,575	Pending	$ 6,005,727	
Total	$4,204,840	$6,634,406	$6,860,477					$24,755,298	$24,755,298

**10.4 cents per taxable ton in 1992

**15.4 cents per taxable ton Production Years 1994 & 1995

15.4 cents per ton	$6,495,125
Chip and Fines Credit	560,450
Total	$7,055,575

A brief explanation of the TEDF is included on page 7.
The TEDF will increase to 20.4 cents-per-ton for production years 1996 - 1998.

SURETY DEPOSITS

The following information explains the surety deposit requirements for out-of-state contractors. The 1989 Legislature passed a law requiring payors to withhold and deposit a portion of payments made to out-of-state contractors with the state of Minnesota.

Who is a contractor?

Minnesota statutes limits a "contractor" to those persons who supply labor only or labor and materials for specific construction, repairs, rehabilitation, or improvements under a contract requiring the employment of employees for wages. The term "contractor" does not include those persons who enter into contracts with the state or any political or governmental subdivision of the state as dealers or merchants.

Minnesota Statute 290.9705 requires that 8 percent of each payment paid to out-of-state contractors for work done in Minnesota must be withheld as a surety deposit on any contract that exceeds or that can reasonably be expected to exceed $100,000. The Department may waive this requirement if certain conditions are met.

If an out-of-state contractor enters into a contract that exceeds or is expected to exceed $100,000, the contractor will have to file form SD-E (Exemption from Surety Deposits for Out-of-State Contractors) with the Department of Revenue. The department uses this form to determine if the contractor is exempt from the 8 percent surety deposit requirements.

The department will grant an exemption if:

- The contractor gives the department a cash surety or bond, secured by an insurance company licensed in Minnesota, which guarantees the contractor will comply with all provisions of Minnesota withholding, sales, and corporate income tax laws, ***or***
- The contractor has done construction work in Minnesota at any time during the three calendar years before entering into the contract and has fully complied with Minnesota withholding, sales, and corporate income tax laws.

If the Minnesota Department of Revenue determines the contractor is exempt, the department will certify the form and return a copy to the contractor, who is responsible for providing a copy of the SD-E to whoever hired them.

However, if the department determines the contractor is not exempt, the department will notify whoever hired the contractor (the payor) to withhold the 8 percent surety deposit from each payment made to the contractor. The person or company hiring the contractor will use form SD-D (Surety Deposit-Deposit Form) to make the surety deposits.

The Department of Revenue will retain the surety deposits until the contractor's state tax obligations are considered fulfilled. The department will then refund, with interest, any amounts held as surety to the contractor. To obtain a refund, file Form SD-R, Refund of Surety Deposits for Non-Minnesota Contractors.

Questions?
If you have questions about any of this information or any other withholding tax matter, please call one of the numbers shown below.

You may also write to:

Minnesota Department of Revenue
Withholding Tax Division
Mail Station 6525
St. Paul, MN 55146-6525

1-800-657-3594 or (612) 282-9999
For TDD, contact Minnesota Relay at
1-800-297-5353 or (612) 297-5353

OCCUPATION TAX ON TACONITE AND IRON ORE (M.S. § 298.01 - M.S. 298.18)

The Minnesota Constitution mandates that the state impose an occupation tax on the business of mining. In order to meet this constitutional requirement, the occupation tax is computed in accordance with the Minnesota corporate franchise (income) tax, including the alternative minimum tax (AMT).

The occupation tax is paid in lieu of the corporate franchise (income) tax, thus *exempting mining companies from corporate income tax.*

Generally, occupation tax deductions follow those allowed for the Minnesota corporate franchise tax with two major exceptions:

1) The tax is **non-unitary** because it applies only to the Minnesota mine and plant. All shipments to out-of-state steel plants are considered non-Minnesota sales for purposes of apportionment. Generally, this means that only 30 percent of the mining income is subject to the 9.8 percent franchise tax.
2) Mining companies are allowed percentage depletion. This deduction is a tax preference item for the alternative mining tax calculation.

The occupation tax applies to both ferrous and nonferrous minerals including not only taconite and iron ore, but also other minerals such as gold, silver, copper, nickel and titanium.

OCCUPATION TAX RETURN

The occupation tax return and any tax due must be filed and paid by May 1 of the following year. The occupation tax instructions include information allowing the mining companies to file their return and any tax due by regular mail or overnight delivery.

The starting value of the occupation tax is the mine value, determined by the Commissioner of Revenue and published in the annual Occupation Tax Directive.

Any reader having questions or wanting more detail about the occupation tax mine value or how the return is prepared is invited to contact the Minerals Tax Office.

MINE VALUE

The Department of Revenue and representatives of the taconite industry met to develop an ongoing procedure determining annually any change in the mine value. The procedure used since December, 1990 is:

1) Seventy-five percent of the change in mine value is based on the change in the Steel Mill Products Index (SMPI) from June of the previous year to June of the current year, and
2) Twenty-five percent of the change in mine value will reflect the actual transaction prices of taconite pellets sold in non-equity sales.

A copy of the Final Directive and backup for 1995 are on the following two pages. These show how the value per Fe unit is determined.

OCCUPATION TAX DISTRIBUTION

All occupation tax is deposited in the state general fund. Fifty percent remains in the general fund.

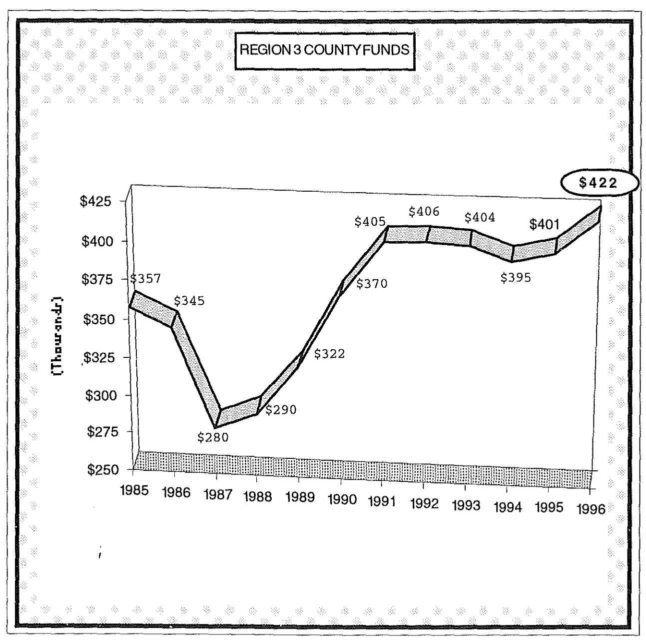
Education

Forty percent of the occupation tax is distributed to elementary and secondary schools and ten percent to the University of Minnesota.

Region 3

An amount equal to one-cent per taxable ton of taconite is appropriated from the occupation tax to the IRRRB for counties in Region 3 not qualifying for taconite property tax relief. Only Carlton and Koochiching counties qualify. This money must be used to provide economic or environmental loans or grants. This amount was increased to 1½ cents per taxable ton for production year 1997 distributed in 1998.

Figure 23



FINAL DIRECTIVE
BASIC DATA FOR PREPARING 1995 OCCUPATION TAX REPORTS

TACONITE

The starting point for occupation tax is the Mine Value, i.e., the value of taconite pellets AFTER beneficiation or processing, but PRIOR to any stockpiling, transportation, marketing and marine insurance, loading or unloading costs.

The production tonnage for both occupation tax and production tax shall be reported on a dry basis. The reported weights and analysis must correspond, i.e. the weighing and sampling *must* take place at or near the same location. No moisture addition or drying should occur between the points of sampling and weighing. Weighing at a location removed from the point of sampling may be used with approval and verification of the Department of Revenue.

Non-arms-length transactions. When taconite pellets, chips or concentrate are used by the producer or disposed of or sold in a non-arms-length transaction, the mine value must be determined using the values below.

Non-arms-length transactions include, but are not limited to, any sales or shipments to: A) any steel producer having any ownership interest in the selling or shipping company, or B) any steel producer affiliated or associated with any firm having any ownership or other financial interest in the selling or shipping company.

Non-equity (arms-length) transactions. When taconite (pellets or concentrate) is sold by the producer in a non-equity or arms-length transaction, the mine value (for occupation tax purposes) shall be either: 1) the actual sales price (f.o.b. mine), OR 2) the mine value as determined using the prices below.

The mining company may elect either option, but **once an option has been elected they must continue to use that option for all arms-length transactions.**

Those taconite producers with non-equity sales since 1990 have made their election. Only those with non-equity sales in 1995 for the first time may select the actual sales price option for the first time. Any request for change in the option elected must be approved by the Department of Revenue. These transactions must meet the definition of a non-equity (arms-length) transactions above.

Flux Pellets. Any company utilizing the *production tax weight reduction for flux additives* ***must*** use the flux pellet value for that production. The fluxed pellet production weight must include the weight of the flux additive for occupation tax purposes only.

Chips, Fines and Concentrate. A separate mine value for pellet chips (fines) and concentrate shall be used. The value of acid pellet chips or concentrate will be 75 percent of the value of acid pellets. Flux pellet chips or concentrate will be valued at 75 percent of the producers' flux pellet value. In order to qualify for this lower mine value, pellet chips must qualify for the Taconite Economic Development Fund (M.S. §298.28, subd. 9[b]). These chips or concentrate can be stockpiled or shipped, but the chips cannot be commingled with or shipped with regular pellets. All production or shipments not meeting this definition must be valued at the appropriate higher pellet value.

TACONITE VALUES

Pellet price per Iron Unit (per dry gross ton)
for the period January 1, 1995 through December 31, 1995:

	MINE VALUE
Acid Pellets:	$.476 per Fe unit
Pellet Chips (Fines) and Concentrate	75% of acid or fluxed pellet price
Flux Pellets - Partial Flux (.1% - 1.99% flux):*	$.476 + $.0155 = $.4915
- Flux (2.00% and higher flux): *	$.476 + $.0155 per Fe unit for each 1% flux

EXAMPLE - Pellet with 4.8% flux in finished pellet: 4.0 x $.0155 = $.062
Mine Value $.476 + $.062 = $.538

* The percentage of flux in the pellets for occupation tax purposes will be as determined by the formula for the production tax flux credit.

BACKUP DATA

Final Directive

The 1990 agreement between the taconite producers and the Department of Revenue that any change in mine value would be determined by two factors continues in effect. These factors are:

1. The change in the SMPI from June of the prior year to June of the current year (75%).
2. The change in the actual selling price of non-equity sales (25%).

This directive was determined using the final adjusted June, 1994 SMPI (112.3) and final adjusted June, 1995 SMPI (121.9). The non-equity sales factor was developed from completed reports provided by the taconite producers and steel companies making ***non-equity sales and/or purchases of taconite pellets***.

Acid Pellets - How Value Determined

The mine value of acid pellets is determined by the change in the SMPI between June, 1994 and June, 1995 and the non-equity sales per Fe unit per gross ton.

SMPI				
June, 1994 SMPI (Final):		112.3	1994 Mine Value:	$ .439
June, 1995 SMPI (Final):		121.9	1995 SMPI % of 1994 Value:	x 108.5485%
121.9 ÷ 112.3	=	108.5485%	1995 SMPI Factor:	$ .47653

NON-EQUITY SALES						
Weighted Average Sales Price		Weighted Average Price Per Ton		Weighted Average DRY Fe Analysis		Weighted Average Sales Price **Per Fe Unit**
$80,844,484 / 2,616,703 Tons Sold	=	$30.8958	÷	65.26	=	$0.473425

ACID PELLET MINE VALUE		
SMPI	$.47653 x 75% = $.35739	**1995 ACID PELLET MINE VALUE:**
Non-Equity Sales	$.47342 x 25% = .11835	
	$.47574	$.476 per Fe unit

Flux Pellets - How to Determine Value

The value of flux pellets will be determined by the amount of flux in the finished pellet, as determined for production tax purposes.

Partial Flux - Pellets with less than 1.99 percent flux will be valued at $.0155 per Fe unit higher than acid pellets :

$.476 + $.0155 = $.4915

Flux - Pellets containing two percent flux or more will be valued at $.0155 per Fe unit PER EACH ONE PERCENT OF FLUX in the finished pellet. Percentages will be: 2.0% - 2.99%; 3.0% - 3.99%, etc.

Percent (%) flux in finished pellet (4.8%)* 4.0 x $.0155

*(From page 1 - Production Tax Report) rounded down to the closest %, i.e., 4.82% rounded to 4.0%.

The Mine Value of Flux Pellets (4.82% Flux) is: $.476 + $.062 = $.538 per Fe unit.

Mine Value - Chips and Concentrates

A Pellet chip and concentrate value is included for companies selling pellet chips or concentrate. Acid chips or concentrate shall be valued at 75 percent of the acid pellet price. Flux chips or concentrate shall be valued at 75 percent of the flux pellet value. Concentrate sold or shipped without being processed into pellets shall use the same value as chips.

Figure 24

OCCUPATION TAX MINE VALUE AND OCCUPATION TAX PAID

PRODUCTION YEAR 1995

TACONITE COMPANY	1995 EMPLOYMENT*	1995 TONS PRODUCED	1995 MINE VALUE	1995 OCCUPATION TAX PAID
Eveleth	644	5,164,441	$ 165,316,259	$ -0-
Hibbing	940	8,386,431	264,466,102	815,000
Inland	362	2,714,072	94,061,290	12,000
LTV	1,472	7,440,366	228,366,560	-0-
National	382	5,055,311	161,240,382	-0-
Northshore	475	3,751,594	120,809,575	245,000
USX	1,710	13,344,969	457,340,095	2,000,000
Totals	**5,985**	**45,857,184**	**$1,491,600,263**	**$ 3,072,000**
Audit Total				$ (49,000)**
NATURAL ORE COMPANY				
Auburn Minerals, L.L.C.	20	349,270	4,491,612	86,565
Totals	**20**	**349,270**	**$ 4,491,612**	**$ 86,565**
TOTALS	**6,005**	**46,206,454**	**$1,496,091,875**	**$ 3,158,565**

* Employment information from St. Louis County Mine Inspector Annual Report - 1995.

** Not included in totals.

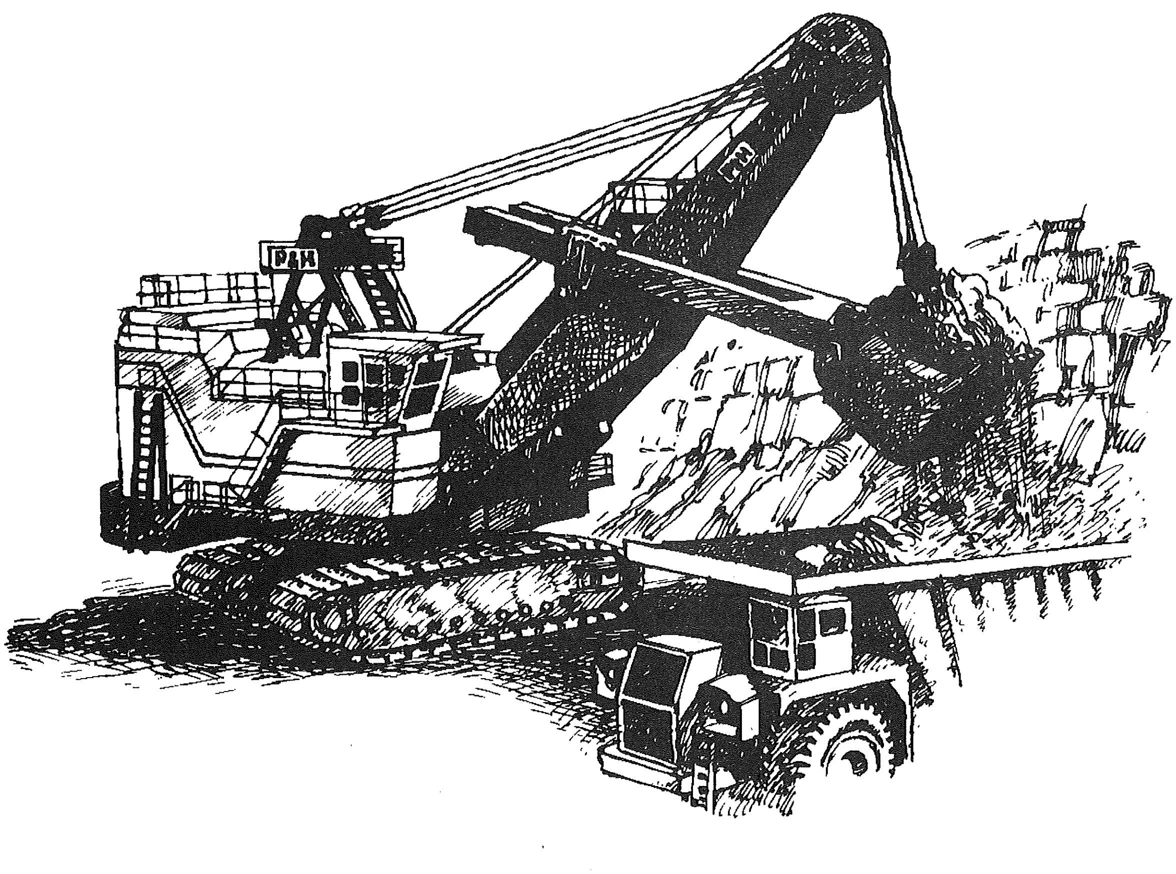


Figure 25

RECONCILIATION OF OCCUPATION TAX AND PRODUCTION TAX TONNAGES - 1995*

Company	Gross Natural Tons	Less: Moisture	Occupation Tax Production Tons (Dry Weight)	Less: Flux	Production Tax Production Tons
ACID PELLETS, CHIPS AND FINES					
Hibbing	8,496,415	1.29%	8,386,431	-0-	8,386,431
LTV Steel	7,440,366	0.00%	7,440,366	-0-	7,440,366
Subtotal	15,936,781		15,826,797		15,826,797
FLUX PELLETS, CHIPS AND FINES					
Eveleth	5,277,393	2.10%	5,164,441	(23,369)	5,141,072
Inland	2,769,459	2.00%	2,714,072	(153,722)	2,560,350
National	5,106,473	0.98%	5,055,311	(29,263)	5,026,048
Northshore	3,751,594	0.00%	3,751,594	(93,464)	3,658,130
USX Corp.	13,644,613	2.20%	13,344,969	(556,182)	12,788,787
Subtotal	30,549,532		30,030,387	(856,000)	29,174,387
TOTAL PRODUCTION SUMMARY					
Eveleth	5,290,292		5,164,441	(23,369)	5,141,072
Hibbing	8,496,415		8,386,431		8,386,431
Inland	2,769,459		2,714,072	(153,722)	2,560,350
LTV	7,440,366		7,440,366		7,440,366
National	5,106,473		5,055,311	(29,263)	5,026,048
Northshore	3,751,594		3,751,594	(93,464)	3,658,130
USX	13,644,613		13,344,969	(556,182)	12,788,787
TOTALS:	**46,499,212**		**45,857,184**	**(856,000)**	**45,001,184**

*The taconite production tax and the occupation tax use different production tonnages. This table is a reconciliation to show the total production for each company including flux and moisture and excluding flux and moisture. This table should eliminate any errors or misunderstanding concerning tonnage.

Figure 26

CRUDE ORE MINED

	1991	1992	1993	1994	1995
Eveleth	11,134,610	11,582,928	10,275,547	15,301,069	16,511,735
Hibbing	30,297,580	29,421,200	27,573,814	30,151,351	30,890,140
Inland	7,495,470	7,894,935	7,110,410	7,475,103	7,954,695
LTV	22,582,621	22,309,077	24,442,769	25,296,435	26,001,125
National	17,644,339	18,457,852	10,543,112	6,469,797	18,419,272
Northshore	6,032,618	3,911,593	9,574,353	9,964,610	11,230,963
USX	45,511,944	45,110,293	47,940,585	49,130,952	50,587,464
TOTAL:	**140,699,182**	**138,687,878**	**137,460,590**	**143,789,317**	**161,595,394**

Figure 27

OCCUPATION TAX- MINE VALUE TACONITE (Historical Summary)

Year		Acid Pellet Price Per Fe Unit		Percent Fe		Lake Erie Value Per Ton	Less: Transportation		Mine Value
1965		$0.25200	x	65.00%	=	$16.38	$3.64	=	$12.740
1970		0.26600	x	65.00%	=	17.29	4.05	=	13.240
1975		0.46020	x	65.00%	=	29.91	6.83	=	23.080
1980		0.72890	x	65.00%	=	47.38	10.70	=	36.680
1982		0.86900	x	65.00%	=	56.49	12.69	=	43.800
1984		0.86900	x	65.00%	=	56.49	13.07	=	43.420
1985		0.72500	x	65.00%	=	47.13	13.07	=	34.060
1986		0.72500	x	65.00%	=	47.13	13.07	=	34.060
1987 (1/1-4/30)	Acid	0.72500	x	65.00%	=	47.13	13.07	=	34.060
	Flux (1%)	0.74000	x	65.00%	=	48.10	13.07	=	33.408

Year		Acid Pellet Price Per Fe Unit		Flux Premium		Flux Pellet Per Fe Unit		Percent Fe Acid	Percent Fe Flux		Mine Value Acid	Mine Value Flux
1987 (5/1-12/31)	Acid	$0.37344					x	65		=	$24.27	
	Flux (1%)					$.38888	x		62	=		$24.11
1988	Acid	0.37344					x	65		=	24.27	
	Flux (1%)					.38905	x		62	=		24.12
1989	Acid	0.37344					x	65		=	24.27	
	Flux (1%)					.38905	x		62	=		24.12
1990	Acid	0.42000					x	65		=	27.30	
	Flux (1%)	0.04200	+	$.015	=	.43500	x		62	=		26.97
1991*	Acid	0.42000					x	65		=	27.30	
	Flux (4%)	0.42000	+	.062	=	.48200	x		62	=		29.884
1992	Acid	0.42000					x	65		=	27.30	
	Flux (4%)	0.42000	+	.062	=	.48200	x		62	=		29.884
1993	Acid	0.42500					x	65		=	27.625	
	Flux (4%)	0.42500	+	.062	=	.48700	x		62	=		30.194
1994	Acid	0.43900					x	65		=	28.535	
	Flux (4%)	0.43900	+	.062	=	.50100	x		62	=		31.062
1995	Acid	0.47600					x	65		=	30.94	
	Flux (4%)	0.47600	+	.062	=	.53800	x		62	=		33.356

Some numbers are corrected from prior year Minnesota Mining Tax Guides.

* Beginning in 1991, the value of flux pellets was modified to $.0155 per each one percent flux in the pellets.

A lower value of 75% of the pellet price is allowed for chips and fines.

Figure 28

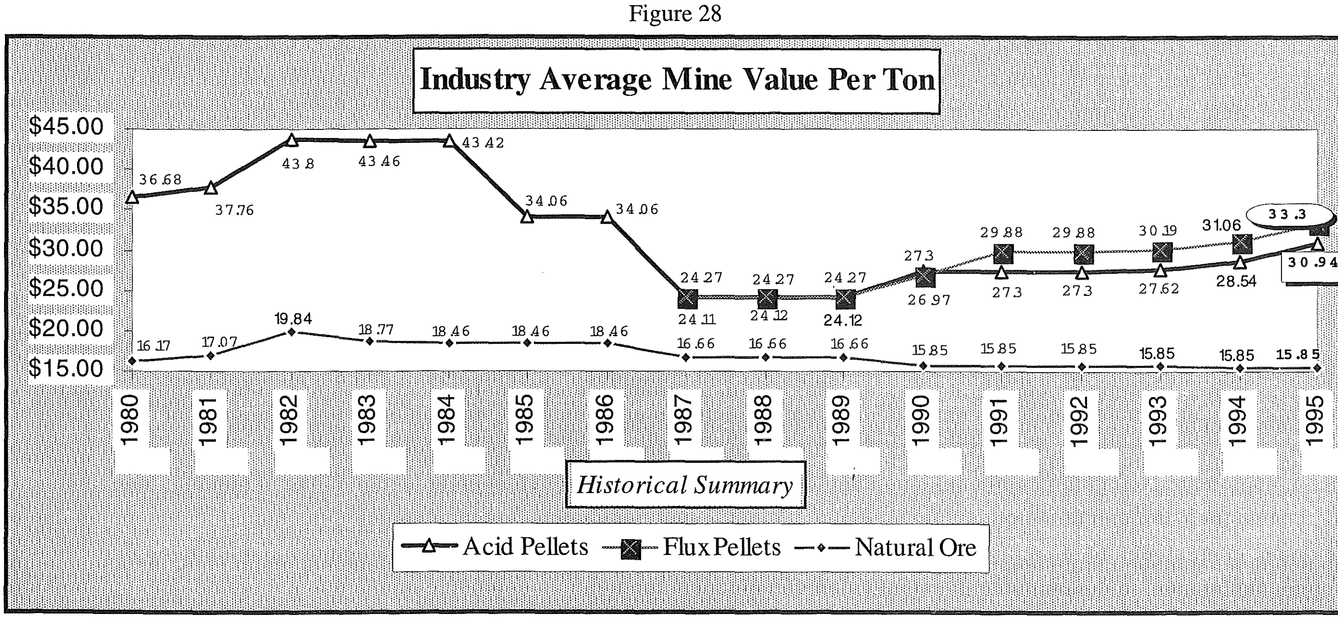


Figure 29

OCCUPATION TAX COLLECTED ON IRON ORE AND TACONITE PRODUCTION

1955 - 1995

	IRON ORE		TACONITE		TOTALS	
Year	Tons Produced (000's)	Occupation Tax (000's)	Tons Produced (000's)	Occupation Tax (000's)	Tons Produced (000's)	Occupation Tax (000's)
1955	66,545	$31,501	1,341	$ -0-	67,886	$31,501
1960	44,042	20,655	13,390	638	57,432	21,293
1965	33,462	15,646	19,004	1,740	52,466	17,386
1966	32,601	15,545	21,677	1,898	54,278	17,443
1967	25,480	12,646	24,311	1,611	49,791	14,257
1968	21,893	10,802	30,269	1,807	52,162	12,609
1969	22,511	10,968	33,410	2,285	55,921	13,253
1970	21,172	9,278	35,348	3,161	56,520	12,439
1971	17,530	7,301	33,778	5,379	51,308	12,680
1972	14,439	6,376	34,554	3,659	48,993	10,035
1973	17,941	8,836	41,829	6,824	59,770	15,660
1974	17,654	9,698	41,053	10,092	58,707	19,790
1975	10,227	5,038	40,809	18,955	51,036	23,993
1976	9,494	6,480	40,575	18,270	50,069	24,750
1977	4,647	2,641	26,372	3,190	31,019	5,831
1978	5,905	3,937	49,545	19,266	55,450	23,203
1979	4,230	2,663	55,333	23,856	59,563	26,519
1980	2,221	1,000	43,060	13,808*	45,281	14,808
1981	1,664	1,232	49,369	11,372*	51,033	12,604
1982	789	719	23,445	-0-*	24,234	719
1983	851	499	25,173	2,386*	26,024	2,885
1984	850	442	35,689	10,606*	36,539	11,048
1985	1,465	394	33,265	4,070*	34,730	4,464
1986	1,122	343	25,451	5,866*	26,573	6,209
1987	1,403	789	32,109	5,356	33,512	6,145
1988	743	294	39,772	2,993	40,515	3,287
1989	603	160	39,882	350	40,485	510
1990	417	11	42,522**	2,057	43,593	2,068
1991	406	32	39,922**	2,008	40,328	2,040
1992	528	38	38,850**	1,551	39,956	1,589
1993	145	0	40,485**	1,709	40,630	1,709
1994	318	22	42,448**	2,302	42,766	2,324
1995	349	87	45,857**	3,072	46,206	3,159
1996 Estimate	350	90	42,500**	2,500	42,850	2,590

* Actual tax collected as adjusted by the provisions of M.S. 298.40. For additional information, see the 1991 Minnesota Mining Tax Guide or contact the Minerals Tax Office.

** Refer to Figure 25 - Beginning with 1990 production, the Department of Revenue changed from natural weight to dry weight. The taconite production tonnage shown is a net dry weight without moisture or flux.

Figure 30

TACONITE INDUSTRY OCCUPATION TAX REPORT AVERAGES ON A PER TON BASIS

Year	Tons Produced (000Tons)	(1) Average Value	(2) Trans-portation	(3) Cost of Bene-ficiation	(4) Cost of Mining	Development	Taconite Production Tax Paid	Sales & Use Tax Paid	Admin. & Misc. Expense	Royalty	Taxable Value of Production	Occupation Tax Paid
1972	34,554	$17.437	$4.472	$7.267	$2.073	$0.665	$0.203	$0.133	$0.398	$0.657	$1.569	$0.106
1973	41,829	18.034	4.771	6.851	1.978	0.6	0.243	0.133	0.36	0.679	2.419	0.163
1974	41,053	22.122	5.845	8.058	2.162	0.737	0.25	0.154	0.45	0.818	3.648	0.246
1975	40,809	28.846	6.887	9.499	2.799	0.891	0.25	0.177	0.621	0.976	6.746	0.464
1976	40,575	32.2	7.609	11.334	3.254	1.219	0.25	0.183	0.778	1.077	6.496	0.45
1977	26,372	34.827	8.127	17.376	4.816	1.415	0.366	0.28	1.368	1.11	-0.031	0.121
1978	49,545	37.08	8.766	14.725	4.096	1.497	0.254	0.173	1.076	1.259	5.234	0.388
1979	55,333	41.306	9.929	16.094	4.26	1.76	0.253	0.227	1.297	1.32	6.166	0.435
1980	43,060	46.365	10.679	20.867	5.028	2.006	0.298	0.214	1.519	1.444	4.31	0.321
1981	49,369	51.107	13.307	20.986	5.515	2.155	0.266	0.187	2.15	1.705	4.836	0.257
1982	23,445	53.946	12.658	31.007	6.228	2.213	0.419	0.274	4.441	2.078	(5.372)	0.14
1983	25,173	56.178	13.034	26.624	4.952	1.485	0.365	0.186	4.819	1.832	2.881	0.453
1984	35,689	56.48	13.077	19.852	4.227	1.997	0.27	0.204	4.534	1.691	10.628	0.838
1985	33,265	47.102	13.064	19.289	4.235	1.568	0.285	0.194	4.399	1.654	2.414	0.297
1986	24,017	47.143	13.024	18.474	4.317	0.902	0.321	0.222	4.479	1.498	3.69	0.259
1987	32,109	26.766	0.053	15.595	3.278	0.556	1.684	0.179	3.384	1.281	0.756	0.167
1988	39,786	24.325		14.901	3.559	0.864	1.524	0.192	2.718	1.18	(0.613)	0.075
1989	39,882	24.424		15.895	4.163	1.083	1.83	0.233	3.024	1.161	(2.965)	0.009
1990	43,176	27.444		16.286	4.513	1.076	1.928	0.256	3.013	1.129	(0.757)	0.048
1991	40,619	28.754		16.837	4.667	1.358	2.102	0.272	3.53	1.156	(1.168)	0.049
1992	39,428	28.863		17.001	4.489	1.425	2.103	0.269	4.275	1.286	(1.985)	0.039
1993	40,485	28.976		16.089	4.491	1.261	1.941	0.265	4.05	1.083	(0.205)	0.042
1994	42,448	30.144		16.429	4.709	1.575	1.936	0.27	3.757	1.092	0.376	0.054
1995	**45,857**	**32.527**		**16.618**	**4.690**	**1.563**	**1.849**	**0.245**	**3.712**	**1.218**	**2.632**	**0.067**

(1) This average value will not match the values on Figure 27 because this is one average of all taconite produced (acid, flux, chips, concentrate).
(2) Transportation consists of the rail and lake transportation allowance, marketing and marine insurance from the occupation tax directives, through April 30, 1987.
(3) Cost of beneficiation includes beneficiation labor, supplies, depreciation, interest, and miscellaneous (from Figure 31).
(4) Cost of mining is the total mining labor, mining supplies and depreciation (from Figure 31).

Beginning with 1990, the information in this table comes from the Production Cost Summary Information Report (based upon the pre-1990 Occupation Tax Report) because the post-1990 Occupation Tax Report no longer provides this detail.

Figure 31

TACONITE INDUSTRY OCCUPATION TAX REPORT AVERAGE COST PER TON

BENEFICIATION

Year	Tons Produced (000's)	Beneficiation Labor (000's)	Per Ton	Beneficiation Supplies (000's)	Per Ton	Beneficiation Depreciation & Interest (000's)	Per Ton	Beneficiation/ Miscellaneous Per Ton	Total Beneficiation Per Ton
1983	25,173	$158,209	$6.285	$325,389	$12.926	$184,617	$7.334	$0.079	$26.624
1984	35,689	112,415	3.15	419,708	11.76	173,211	4.854	0.088	19.852
1985	33,265	106,804	3.211	372,156	11.188	156,363	4.701	0.189	19.289
1986*	24,017	64,990	2.706	259,928	10.823	116,637	4.857	0.088	18.474
1987	32,109	70,993	2.211	314,491	9.795	112,667	3.509	0.08	15.595
1988	39,786	90,047	2.263	389,070	9.779	109,732	2.758	0.101	14.901
1989	39,882	95,238	2.388	425,570	10.671	109,483	2.746	0.09	15.895
1990*	43,176	116,305	2.694	471,931	10.93	110,641	2.562	0.1	16.286
1991	40,619	120,285	2.961	445,389	10.965	103,431	2.547	0.364	16.837
1992	39,428	137,850	3.496	412,429	10.46	101,392	2.572	0.473	17.001
1993	40,485	118,713	2.932	419,558	10.363	102,798	2.539	0.255	16.089
1994	42,448	123,354	2.906	469,106	11.051	98,752	2.327	0.145	16.429
1995	**45,857**	**136,258**	**2.971**	**511,530**	**11.155**	**99,669**	**2.173**	**0.319**	**16.618**

MINING

Year	Tons Produced (000's)	Mining Labor (000's)	Per Ton	Mining Supplies (000's)	Per Ton	Cost of Mining	Mining Depreciation Per Ton	Total Mining Costs Per Ton
1983	25,173	$49,284	$1.958	$44,428	$1.765	$3.723	$1.229	$4.952
1984	35,689	60,957	1.708	63,600	1.782	3.49	0.737	4.227
1985	33,265	57,540	1.73	54,739	1.646	3.376	0.859	4.235
1986*	24,017	39,162	1.631	43,290	1.802	3.433	0.884	4.317
1987	32,109	40,239	1.253	47,179	1.469	2.722	0.556	3.278
1988	39,786	55,238	1.388	67,491	1.696	3.084	0.474	3.559
1989	39,882	61,850	1.551	82,090	2.058	3.609	0.554	4.163
1990*	43,176	70,770	1.639	105,330	2.44	4.079	0.434	4.513
1991	40,619	81,313	2.002	93,208	2.295	4.297	0.37	4.667
1992	39,428	75,363	1.911	87,287	2.214	4.125	0.364	4.489
1993	40,485	77,831	1.922	90,984	2.247	4.169	0.322	4.491
1994	42,448	81,778	1.927	101,974	2.402	4.329	0.38	4.709
1995	**45,857**	**92,362**	**2.014**	**109,056**	**2.378**	**4.392**	**0.298**	**4.69**

Beginning with 1990, the information in this table comes from the Production Cost Summary Information Report (based upon the pre-1990 Occupation Tax Report) because the post-1990 Occupation Tax Report no longer provides this detail.

* The 1986 numbers do not include Reserve Mining which ceased production in August, 1986 due to bankruptcy. The 1990 numbers include Northshore Mining Company which reopened the former Reserve Mining Company in January, 1990.

INCOME TAX WITHHOLDING ON MINING AND EXPLORATION ROYALTY

(M.S. §290.923)

The income tax withholding is a seven percent tax assessed on exploration and/or mining royalty income. This section will define royalty, identify who must pay the tax, and outline the statutory requirements of both the royalty payer and the royalty recipient. Also included is the royalty cost, by company, per ton of pellets produced (Figure 33) and the industry-wide cumulative total royalty paid and income tax withholding (Figure 32).

Royalty is defined as any amount (in money or value of property) received by any person having any right, title or interest in or to any tract of land in this state for permission to explore, mine, take out or remove ore therefrom. The ores subject to the withholding are iron ore, taconite, and other minerals (copper, nickel, gold, etc.) subject to the Net Proceeds Tax. Royalties can include rents, bonus payments, and non-recoverable lease payments.

ROYALTY PAYERS

All payers of mining and/or exploration royalty are required to withhold and remit an income tax of seven percent on royalty paid for use of Minnesota lands effective January 1, 1990 (M.S. 290.923).

Royalty payers have the option to apply for a separate Minnesota tax identification number to be used for reporting income tax withholding on mining/exploration royalty rather than combining it with the wage/salary withholding. To apply for a separate identification number, an Application for Business Registration, Form ABR, must be completed and submitted to the Minnesota Department of Revenue. When reporting royalty withholding under its own identification, separate returns must be used--MW-1: Quarterly Withholding Return; MW-3: Annual Reconciliation of Income Tax Withheld, and MW-5: Minnesota Income Tax Withholding Deposit Form.

Royalty payers are obligated to inform recipients of the withholding tax requirement and must provide them with a federal form W-4, exemption certificate. The State of Minnesota uses the federal form because a similar state form is not available. The W-4 informs the payer whether or not to withhold tax from the recipient. Unless the payer receives a W-4 indicating an exempt status, the payer is obligated to withhold tax. Copies of the W-4's received from royalty recipients must be sent to the Minerals Tax Office, P. O. Box 481, Eveleth, MN 55734-0481.

Royalty payments made to the State of Minnesota or other government units are not subject to withholding of income tax. A W-4 is not required.

Royalty payers must provide each royalty recipient with a federal form 1099 MISC by January 31st for the royalty paid during the previous year. The 1099 MISC has areas to report the amount of royalty paid, the amount of tax withheld, and to identify the state where the royalty was incurred.

ROYALTY PAID TO A TRUST

Royalty paid to a simple trust (a trust that distributes all the royalty income to its beneficiaries) is exempt from having tax withheld by the payer, unless it elects to have the withholding tax deducted. The trust is entitled to that option but must inform the royalty payer by the use of a W-4 or by a letter of its decision. If the trust chooses the tax exempt status, it then becomes the royalty payer and is subject to the same obligations as previously discussed:

1. The trust becomes responsible for withholding from the beneficiaries.

2. The trust must inform the beneficiaries of the requirements to withhold tax and provide them with a W-4.

3. The trust must provide each beneficiary with the 1099 MISC by January 31st of the following year.

4. The trust must prepare and submit the required withholding returns--MW-1, MW-3, and MW-5 to the State of Minnesota.

ROYALTY REPORTS

The MW-3 (Annual Reconciliation of Income Tax Withheld), must be submitted to the Department of Revenue by February 28th, whether tax was withheld or not. The MW-3 must be accompanied by the 1099 MISC forms for each recipient. Royalty payers with over 250 recipients must provide the Department of Revenue with the 1099 MISC information on magnetic tape. Royalty payers with less than 250 recipients can submit the 1099 MISC information on disc or paper copy. It must, however, be consistent with the federal format.

If a separate identification number is used for royalty withholding only, the MW-3 and 1099 MISC, where applicable, must be submitted to:

Minerals Tax Office
P. O. Box 481
Eveleth, MN 55734-0481

If the same identification number is used for both wages and royalty withholding, submit the MW-3 and the 1099 MISC, where applicable to:

Withholding Tax
Mail Station 1195
St. Paul, MN 55146-1195

Where wages and royalty withholding are combined, a copy of the MW-3 and the 1099 MISC's must also be sent to the Minerals Tax Office.

ROYALTY RECIPIENTS
Individuals who had no Minnesota income tax liability in the preceding year and reasonably expect to have no liability for the current year are exempt from the withholding tax. Non-resident individuals will not incur a Minnesota income tax liability for 1996 and are not required to file a Minnesota individual income tax return if their Minnesota assignable gross income is less than $6,400. A W-4 exemption certificate must be filed with the royalty payer so that Minnesota income tax will not be withheld from the royalties received.

If tax is incorrectly withheld by the royalty payer, the royalty recipient must file a Minnesota income tax return, M-1NR, to obtain a refund. Royalty recipients ***are no longer*** eligible to use percentage depletion on their individual income tax returns.

For information previously provided about income tax withholding on mining and exploration royalty, refer to the 1989 through 1992 Minerals Tax News or the 1989 through 1991 Minnesota Mining Tax Guide.

QUESTIONS/FORMS
Inquiries should be directed to the Minerals Tax Office. Forms can be obtained by contacting:

Minnesota Department of Revenue
Forms Distribution
10 River Park Plaza
Mail Station 4451
St. Paul, MN 55146-4451
(612) 296-9118

A Minnesota Income Tax Withholding Instruction Booklet is available for assistance in complying with the with-holding laws. This booklet is designed for withholding on Minnesota wages, but the general filing requirements also pertain to royalty withholding.

ROYALTY TABLES (Page 39)
The royalty costs per ton beginning from 1970 to date (Figure 33) are located on page 39.

Figure 32

ROYALTY PAID AND INCOME TAX WITHHELD
(Taconite, Natural Ore and Others)

YEAR	ROYALTY PAID	INCOME TAX WITHHELD
1990	$51,151,805	$545,746
1991	$49,335,480	$632,598
1992	$43,318,586	$714,752
1993	$46,889,065	$347,227
1994	$40,067,385	$347,996
1995	$48,160,466	$302,067

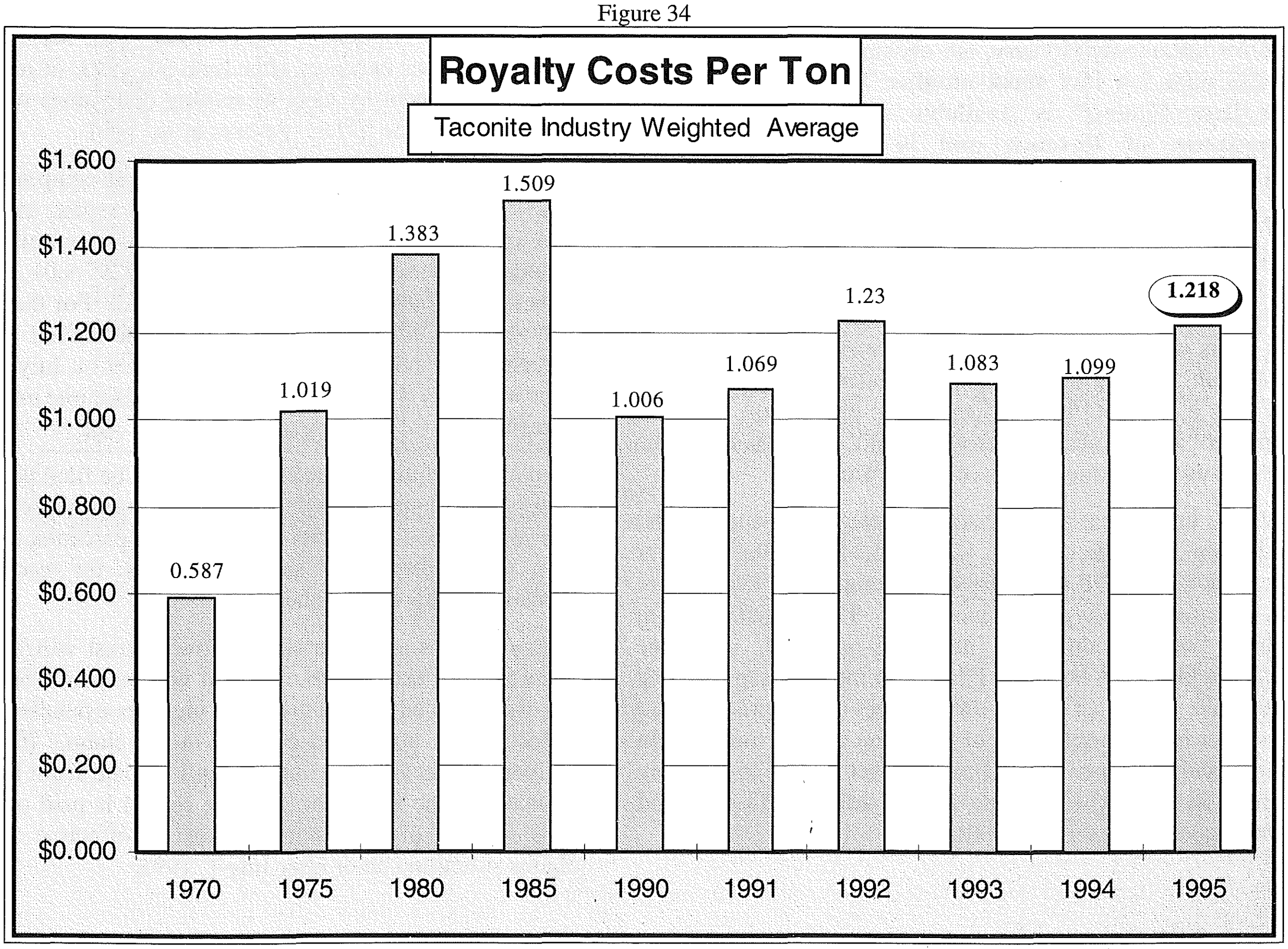
Figure 33

AVERAGE ROYALTY COST PER TON OF PELLETS PRODUCED

	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995
Industry Production (millions of tons):	35.3	40.8	42.9	33.3	43.2	40.6	39.5	40.5	42.3	45.9
Butler	0.714	1.139	1.815	1.954	Closed	Closed	Closed	Closed	Closed	Closed
Erie (LTV)	0.314	0.954	1.749	2.289	1.288	1.115	1.569	1.475	1.454	1.543
Eveleth***	0.949	2.218	3.578	2.621	1.644	1.717	1.886	1.846	1.876	1.416
Hibbing***	*	*	0.398	0.772	0.805	0.408	1.525	1.465	1.439	1.495
Inland	*	*	1.212	1.801	1.396	1.47	1.705	0.772	0.779	0.810
National	0.549	0.974	1.525	2.001	2.041	1.902	2.132	1.836	1.743	1.606
Reserve/Northshore**	1.12	1.919	2.82	3.087	1.35	1.156	1.126	1.187	1.220	1.572
USX-Minntac	0.000	0.171	0.288	0.334	0.239	0.266	0.277	0.266	0.329	.397
Industry Average:										
Weighted:	0.587	1.019	1.383	1.509	1.006	1.069	1.23	1.083	1.099	1.218
Arithmetic:	0.729	1.229	1.673	1.857	1.252	1.291	1.46	1.328	1.256	1.272

* Plant not yet in production.
** Reserve's/Northshore's royalty costs per ton are based primarily upon shipments, not production.
*** Royalty stated on a calendar year (cash) basis with overrides to partners subtracted since 1980. This revision was incorporated in the 1993 Minnesota Mining Tax Guide for the first time. Tonnages used have been a "dry" basis beginning in 1990.
USX owns a substantial part of the ore it mines and, therefore, has a lower average total royalty cost.

Figure 34



SALES AND USE TAX
(M.S. §297A)

The general sales and use tax is a broad-based tax on consumer expenditures. The tax is imposed on the sale of tangible personal property or services to the final consumer. A number of exemptions reduce the size of the actual sales and use tax base. In addition, different tax rates apply to several products.

The current sales tax rate is 6.5 percent. Minnesota's sales and use tax, first adopted in 1967, is now the second largest source of state taxes, yielding $2.5 billion in fiscal year 1994.

Sales and Use taxes are essentially identical. The sales tax is assessed by the vendor at the time of the sale of tangible personal property; the use tax paid by the purchaser (user) is imposed on the use, storage, or consumption of tangible personal property for which no sales tax was assessed (paid) at the time of purchase.

INDUSTRIAL PRODUCTION EXEMPTION

The industrial production exemption, M.S. §297A.25, Subd. 9, allows industry to exempt items from sales and use tax that are used or consumed in the production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Items included in the exemption are chemicals, fuels, petroleum products, lubricants, packaging materials, electricity, gas, and steam. Explosives, a major item for the mining industry, are exempt under the chemical classification. **A fact sheet number 147 titled "Taconite and Iron Mining" is available from the Minnesota Department of Revenue and is out on the state's INTERNET web site.**

The 1971 Minnesota Legislature approved the production materials exemption M.S. §297A.25, Subd. 15, exclusively for the taconite mining industry. This statute allows for the exemption from sales tax of grinding rods, grinding balls, and mill liners which are substantially consumed in the production of taconite. During the process, this material is added to and becomes a part of the product being processed. For the purpose of the exemption, the term "mill" includes all of the facilities used to reduce and process the ore.

In 1974, the Minnesota Legislature amended the industrial production exemption M.S. §297A.25, Subd. 9, to cover accessory tools. The accessory tool exemption is available to all manufacturing-type businesses. The legislature, in defining what qualifies as an accessory tool, set three standards that must be met: 1) an item must be separate and detachable, 2) it must have a direct effect on the product, and 3) it must have a useful life of less than twelve months. In mining, shovel dipper teeth, shovel bucket lip and lower wing shrouds, cat and grader blade cutting edges, drill bits, and reamers qualify for this exemption.

The 1994 Minnesota Legislature expanded M.S. §297A.25 Subd. 9 to exempt materials including chemicals, fuels and electricity purchased by persons engaged in industrial production to treat production process waste.

CAPITAL EQUIPMENT REFUND

Effective July 1, 1984, the State of Minnesota instituted the capital equipment refund law (M.S. §297A.01, Subd. 16). Initially, the law granted a two percent refund of sales tax paid on purchases of capital equipment for a new or expanding business. The law currently grants a refund of the full 6.5 percent of sales or use tax paid on the purchase of qualifying capital equipment.

Equipment being purchased does not have to be new, however, it must be new to the business making the purchase.

Example : A welding shop purchases a used welder. This welder is an addition to the two welders the shop already has. Even though the purchase is for a used welder, it would qualify for the full refund of tax paid because the welder is an addition to the shop making the purchase.

The 1993 Minnesota Legislature made a change to the Capital Equipment Refund Law that affects only the taconite mining industry. Previously, the law stated that replacement capital equipment did not qualify for a refund of the sales or use tax paid. Purchases or leases after June 30, 1993, of replacement capital equipment by taconite mining companies will qualify for a refund of the full 6.5 percent of tax paid.

The 1994 legislature expanded the capital equipment refund law to include replacement equipment, repair, replacement and spare parts, accessories, special purpose buildings and foundations for capital equipment (M.S. §297A.01, Subd. 20). This is for a partial refund of the tax paid. For the period of July 1, 1994 through June 30, 1995 the refund was for 1 percent. The refund percentages increases on July 1 of each year until July 1, 1998, when it reaches the maximum of 4.5 percent.

Two capital equipment refund claims can be filed per calendar year. Each claim can include more than one project. A claim can include both 6.5 percent and partial percentage amounts. The claim form has separate blocks for each of the percentages that can be claimed.

Language was added to clarify how interest will be paid on sales and use tax refunds. Interest will be paid from the date the claim is filed, unless the claim includes a detailed schedule reflecting the tax period covered in the claim. If the claim includes a schedule, the interest will be paid from the date of payment of the tax to the date the refund is paid or credited. This method of calculating interest is effective for refund claims submitted on or after July 1, 1993.

ELECTRONIC FUND TRANSFER

Starting in calendar year 1994, companies with a sales and use tax liability of $120,000 per fiscal year (July 1 through June 30) are required to remit the tax using electronic fund transfer. The due date for remitting the tax is the 14th of the month following the month of the sale. The return must be filed by the 25th of the month.

If actual amounts are not available by the 14th of the month, an estimate of the net amount to be paid may be remitted by using one of the following options:

- 100% of the previous month's sales and use tax.
- 100% of the tax paid in the same month of the previous year, or
- 95% of the actual amount.

For those companies not required to file electronically but electing to do voluntarily, payments and returns are due on the 20th of the month following the filing month.

Effective for returns due after 1994, the June estimated payment will only be required from those who are required to pay by electronic funds transfer. Other filers who are not required to pay electronically are no longer required to file an estimated June return. All filers required to pay electronically must make an estimated payment for their June tax liability. The estimate must be 75 percent of their June liability and must be made two business days before June 30.

Figure 35

USE TAX PAID

YEAR	USE TAX		M.S. §298.40 OCCUPATION TAX OFFSET (TAX NOT COLLECTED)		REFUND* CLAIMS	NET USE TAX COLLECTED
1983	$ 5,808,237		$2,613,605			$ 3,194,632
1984	7,110,166		4,283,181			2,826,985
1985	6,476,570		4,216,360			2,260,210
1986	4,890,472		2,399,142			2,491,330
1987	5,286,947		1,827,482			3,459,465
1988	8,351,535		1,149,975			7,201,560
1989	11,112,722		129,744		$ 83,478	10,899,500
1990	13,127,042		-0-		104,173	13,022,869
1991	11,860,378		-0-		475,098	11,385,280
1992	11,702,398		-0-		447,370	11,255,028
1993	11,991,300		-0-		328,139	11,663,161
1994	14,200,022		-0-		1,063,242	13,136,780
1995	15,929,989		-0-		1,435,835	14,494,154
1996 Est.	15,500,000		-0-		5,000,000	10,500,000

* These are capital equipment refund claims for a new or expanding business and for repair and replacement parts.

AGGREGATE MATERIAL TAX
(GRAVEL TAX - M.S. §298.75)

The aggregate material tax is a production tax on the removal of aggregate material. Aggregate material is gravel, sand, silica sand, crushed rock, limestone and granite (but not dimension stone and dimension granite). The tax is measured on a per cubic yard or per short ton basis. The tax is imposed on importers and operators. For the purposes of this statute, an importer is any person who brings aggregate from an unlisted county or another state into a county that imposes the aggregate material tax. An operator is a person engaged in removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of aggregate material in a marketable product.

Since 1986, this tax has been in effect in 22 counties:

> Becker, Benton, Big Stone, Carver, Clay, Dakota, Hennepin, Kittson, LeSueur, Mahnomen, Marshall, Norman, Pennington, Polk, Ramsey, Red Lake, Scott, Sherburne, Sibley, Stearns, Washington, and Wilkin. *Rock County, Chisago County and Murray County were authorized to begin collecting the tax in 1996. At the time this guide was published, Rock County was considering imposing the tax as of January 1, 1997. Chisago County and Murray County have decided not to impose the tax.*

The tax is not a sales tax, but is an independent tax, neither imposed on transactions when goods are sold at retail nor measured by the gross receipts of those sales. While sales tax exemptions may apply to the sales tax imposed, they do not apply to aggregate materials tax. In addition to the aggregate materials tax, sales of gravel are subject to state sales and use tax of 6.5 percent and possibly additional city or county sales tax *(see sales tax examples on following page)*.

TAX IMPOSITION AND DISTRIBUTION

The aggregate materials tax is imposed upon every importer or operator at the rate of ten-cents per cubic yard or seven cents-per-short ton of aggregate produced and sold or imported into any county imposing this tax. The purpose of the tax was to provide funds for local roads and bridges used heavily by gravel haulers who paid no taxes for the upkeep of those roads or bridges.

The law requires the county to distribute the proceeds from this tax as follows: County Road and Bridge Fund (60%); Township Road and Bridge Fund (30%), and the Reserve Fund for Pit Restoration (10%).

Although this is a county tax, the Minerals Tax Office does provide compliance information and assistance to both counties and aggregate importers and producers.

REPORTING REQUIREMENTS

By April 14, July 14, October 14, and January 14, operators or importers must file a quarterly report and payment with the county auditor in the county in which the aggregate material is removed or imported.

EXAMPLES OF THE AGGREGATE MATERIALS TAX

If a governmental unit or other individual or entity owns a pit, quarry or deposit and removes the aggregate for their own use, then no tax would be imposed.

No Tax Imposed Examples

Example: No tax would be imposed when the state Department of Transportation removes material from a state-owned pit for road construction.

Example: If a farmer removes gravel for personal use from a pit located on the farmer's property, then no tax would be due.

Example: If a county owns or leases a gravel pit, there is no aggregate material tax where the county removes gravel for its own use. There is also no tax if the county hires a contractor to crush and remove the gravel for use on county roads. The tax is to be imposed on every operator engaged in the business of removing aggregate material **for sale**. Consequently, there is no operator within the statutory definition, and no tax due. (Attorney General's opinion to Kanabec County attorney, May 13, 1983).

Tax Imposed Example

Example: A privately-owned gravel pit sells gravel to a township. The tax is imposed on the pit operator.

Example: A county-owned or privately-owned gravel pit sells gravel to an individual or contractor who picks up the gravel at the pit. The tax is imposed on the pit operator.

Example: Same as above, but operator delivers the gravel; either dumping or leveling the gravel. The tax is imposed on the pit operator.

SALES TAX

Sales of gravel and crushing and screening of gravel can be subject to sales and use tax.

Gravel sales are an improvement to real property taxable to the seller if the sales contract requires the seller to deliver and spread the gravel in such a way that no further leveling is required by the purchaser. This includes situations where the gravel is leveled while being unloaded from the back of a moving truck without the use of any other equipment. Therefore, when a local government purchases gravel described above, it is not subject to sales tax.

If the gravel is merely dumped in a pile, or if the contract does not require the seller to level the gravel, the sale is a sale of tangible personal property and is subject to sales tax.

Gravel crushing is fabrication labor and is taxable.

Aggregate Material Tax (Sales Tax Continued)

Gravel screening, where the gravel is run through a screener to make two or more piles, is fabrication labor and is taxable.

If a government unit or other individual or entity owns a pit, quarry or deposit and removes the aggregate for their own use, no sales or use tax would be due.

No Sales or Use Tax

Example: The state Department of Transportation removes material from a state-owned pit for road construction.

Example: A farmer removes gravel for personal use from a pit located on his own property.

Example: The state owns material that is made available to a contractor at no charge for use on a road contract and the contract is for labor only. The state does not have to pay use tax on gravel from its own pit.

Sales Tax Due

Example: A privately-owned gravel pit sells gravel to a township. The township should be charged sales tax and if they purchase the material without tax, the township should pay use tax on the gravel.

Example: A county purchases material from a pit owner and hires another party to crush, size or otherwise process the material, the pit owner must charge the county sales tax on the material. Crushing and processing the gravel is considered *fabrication labor*, and thus, the party processing the material must charge the county sales tax on their labor.

AD VALOREM TAX ON TACONITE RAILROADS (M.S. §270.80 - 270.88)

Beginning with the January 2, 1989 assessment, taconite railroads have been included in the definitions of "common carrier" railroads and are assessed and taxed on an ad valorem basis pursuant to the sections of Minnesota Statutes §270.80 through §270.88. LTV and Northshore were the only railroads classified as taconite railroads.

The Property Tax Division, Minnesota Department of Revenue, has developed rules governing the valuation of railroad operating property. These rules have been in effect since 1979 when common carrier railroads went off the gross earnings tax. Each railroad is required to file an annual report containing the necessary information.

The valuation process utilizes the unit value concept of appraisal. For taconite railroads, this involves calculating a weighted cost indicator of value allowing for depreciation and obsolescence. Items of personal property are then deducted from the net cost indicator to yield a Minnesota taxable value.

This value is then *apportioned* to the various taxing districts where the taconite railroad owns property. The amount of value each taxing districts gets is based on an apportionment formula involving three factors: land, miles of track and the cost of buildings over $10,000.

After the market value has been apportioned to each taxing district, the value has been apportioned to each taxing district, the value is equalized with the other commercial and industrial property on a county-wide basis using an estimated median commercial and industrial sales ratio. A commercial and industrial ratio is developed for each county and applied to that county's taconite railroad market values.

Figure 36

GRAVEL TAX COLLECTED

1981-	$104,693	1986 -	$1,938,702	1991-	$1,783,301
1982-	$236,039	1987 -	$2,115,649	1992-	$1,895,260
1983-	$1,503,599	1988 -	$1,830,535	1993 -	$2,045,794
1984-	$1,731,600	1989 -	$2,003,391	1994 -	$2,272,272
1985-	$1,783,940	1990 -	$1,939,276	1995 -	$2,114,823

Figure 37

TACONITE RAILROAD AD VALOREM TAX ASSESSED

Year Payable	Assessed	St. Louis County	Lake County	Cook County	Total Tax
1990	1989	$105,167	$156,675	$5,037	$266,879
1991	1990	$112,800	$145,573	$5,319	$263,692
1992	1991	$53,409	$80,720	$5,064	$139,193
1993	1992	$38,454	$99,919	$4,706	$143,079
1994	1993	$48,655	$87,248	$4,938	$140,841
1995	1994	$78,281	$140,300	$14,454	$233,034
1996	1995	$64,516	$116,143	$14,456	$195,115

AD VALOREM TAX ON UNMINED TACONITE
(M.S. §298.26)

A tax not exceeding $15.00 per acre may be assessed upon the taconite or iron sulfides in any 40-acre tract from which the production of iron ore concentrate is less than 1,000 tons.

The heading on M.S. §298.26 is somewhat misleading in that it refers to a TAX ON UNMINED IRON ORE OR IRON SULFIDES. The tax clearly applies to unmined taconite and has been administered in that manner. The working "iron ore" does not refer to high-grade natural ore in this instance.

The tax, as presently administered, applies to all iron formation lands on the Mesabi Range. The statutory exemption administered by the county assessor provides that in any year in which at least 1,000 tons of iron ore concentrates are produced fro a 40-acre tract or governmental lot, said tract or lot are exempt from the unmined taconite tax. The county assessors have also exempted actual platted townsites that are occupied.

The iron formation lands on the Mesabi Range are divided into two categories by the engineering section of the Minerals Tax Office. This is done through the evaluation of exploration drill hole data submitted by the mining companies.

The categories are listed as follows:

1) Those lands which are underlain by magnetic taconite of sufficient quantity and grade to be currently economic. They are considered to be "economic" taconite and are given a market value of $500 per acre.
2) Lands either not believed or not known to be underlain by magnetic taconite or currently economic quantity, quality and grade. They are considered to be "uneconomic" taconite and are given a market value of $25 per acre.

To be classified as "economic" taconite [Category(1)], the taconite must pass the following criteria:

-- contain more than 16 percent magnetic iron with the Davis tube test

-- contain less than 10 percent concentrate silica (SiO_2) with the Davis tube test

-- has a 15- to 25-feet minimum mining thickness

-- has a stripping ratio of less than four-to-one (waste/concentrate), calculated as follows:

A) Surface (ft.) x 1.5 = Equiv. Ft. Surface

B) Rock (ft.) x 2.25 = Equiv. Ft. Waste

C) $\frac{\text{Ore (ft.)} \times 2.5}{3}$ = Equiv. Ft. Concentrate

Stripping Ratio $= \frac{A) + B)}{C)}$

If the material fails any of the above criteria, then it is considered to be "uneconomic" taconite and classified as category (2). Some lands may also be considered as "uneconomic" due to environmental restrictions.

For payable 1996, the tax is calculated by multiplying the market value for the parcel of land time the 4.60 percent class rate times the local tax rate for that specific tax area. (NOTE: Call your county auditor for more information.)

Figure 38

UNMINED TACONITE TAX PAID
(Year Payable)

County	1989	1990	1991	1992	1993	1994	1995	1996
Itasca	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
St. Louis	365,244	355,065	352,935	349,551	355,596	352,119	488,176	467,946
TOTALS	$365,244	$355,065	$352,935	$349,551	$355,596	$352,119	$488,176	$467,946

AD VALOREM TAX ON AUXILIARY MINING LANDS FOR TACONITE OPERATIONS

(M.S. §270.80 - 270.88)

Lands and structures actively used for taconite production are exempt from the ad valorem tax and are subject to the production tax "in lieu" of property tax. These actively used lands include the plant site, mining pit, stockpiles, tailings pond and water reservoirs. Also included are lands stripped and ready for mining, but not lands merely cleared of trees. Exemptions are granted by parcel basis to the nearest five acres. Lands adjacent to these facilities, commonly referred to as auxiliary mining lands, are subject to assessment of ad valorem tax administered by the county.

The county assessor is responsible for estimating the market value of auxiliary mining lands and classifying them into one of several property classifications established by Minnesota statutes. The two most common property classifications used on auxiliary mining lands are industrial and timber. In general, lands in close proximity to active taconite operations are assigned the industrial classification while those further away are classified as timber. The classification of various types of property are covered in M.S. §273.13.

For the industrial classification, the assessor's estimated market value (EMV) is multiplied by a class rate of 4.60 percent to obtain tax capacity which is then multiplied by the local tax rate to calculate tax payable. The class rate for the timber classification, on the other hand, is 1.5 percent of the estimated market value or about one-third the industrial class rate.

These class rates are set by Minnesota legislature. For payable 1996, these class rates will remain at 4.60 percent. Local tax rates are determined by county, local government and school district spending. For 1996, they range from a low of approximately .9 to a high of approximately 2.08 in St. Louis County.

The following schedule provides for adjustments in both the valuation and classification of auxiliary mining lands located on the iron formation versus off-formation lands as well as further refinements based on the proximity of these lands to active mining operations. It also outlines valuation adjustments to be made on excess lands (those located more than one-quarter mile from mining activity) that have been disturbed by natural ore mining activity. This schedule was first implemented in St. Louis County in 1988, and was revised in 1996, subject to further change as market conditions and/or Minnesota statutes dictate.

ST. LOUIS COUNTY MINING LAND ASSESSMENT SCHEDULE

1. IRON FORMATION LAND	VALUE ($/ACRE)	CLASSIFICATION
A. Land within ¼ mile of active pit	$500	Industrial
B. Excess land (more than ¼ mile from mining activity or outside 15-year pit limit).		
1. Undisturbed	same as other private land	Timber or current use
2. Disturbed		
a. Stockpiles	75% of other private land	Timber or current use
b. Abandoned Pits	50% of other private land	Timber or current use
2. OFF-FORMATION LAND		
A. Land within ¼ mile of mining activity	$250	Industrial
B. Excess land (more than ¼ mile from mining activity		
1. Stockpiles	75% of other private land	Timber or current use
2. Tailings Ponds	30% of other private land	Timber or current use

AD VALOREM TAX ON UNMINED NATURAL IRON ORE
(M.S. §272.03, 273.02, 273.12, 273.13, 273.165, 273.1104)

Since 1909, Minnesota's natural iron ore reserves have been estimated and assessed by the state for ad valorem tax purposes. The actual ad valorem tax levy is set by the county, the school district, and the local township or municipality. The tax levy is collected by the county auditor.

A Minnesota Supreme Court decision in 1936 established the present worth of future profits method for valuing the iron ore reserves. This is accomplished through the use of a complex formula known as the Hoskold Formula. The formula takes into account ore prices and all the various cost factors in determining the value of the unmined ore.

The Department uses a five-year average for allowable costs taken from the occupation tax report each year. A five-year average of the Lake Erie market value of iron ore is also used. These averages are used to help reduce fluctuation of value due to sudden cost-price changes.

The following expenses are allowed as a deduction from the Lake Erie market value on the computation of present worth (Hoskold Formula):

1a. Mining, normal costs	6. Freight & Marine Insurance
1b. Mining, special costs	7. Marketing Expense
2. Beneficiation	8. Social Security Tax*
3. Miscellaneous (property tax, medical ins., etc.)	9. Ad Valorem Tax (by formula)
	10. Occupation Tax
4. Development (future)	11. Federal Income Tax
5. Plant & Equipment (future)	12. Interest on Development, Plant & Working Capital

* Since 1987, Social Security Tax is no longer identified as a separate expense, now included under Miscellaneous.

These twelve allowable expense items are deducted from the Lake Erie market value to give the estimated future income (per ton). It should be noted that although royalty is allowable as an occupation tax deduction, it is not allowable on Minnesota's ad valorem tax.

The present worth is then determined by multiplying the estimated future income (per ton) by the Hoskold Factor. The Department presently allows a 12 percent risk rate and six percent safe rate which yields the .33971 Hoskold factor when used with a 20-year life. A 20-year life has been used since 1968 as representative of the remaining life of Minnesota's natural iron ore reserves. The resulting value is considered to be market value by the Department of Revenue.

The 1989 legislature, in a special session on September 28th and 29th, continued work on the property tax reform issue. An effort was made to reduce the differential between homestead property and business property.

Also, further changes in terminology were introduced. The term "class rate" is introduced for taxes payable in 1990. The class rate for Class 5 property which includes unmined iron ore was 5.06 percent. All classes of property with a 5.06 percent class rate have a target class rate of four percent which the governor and legislature will attempt to achieve in future years through a phase-in period. The tax capacity is the product of the class rate and the market value. The product of the market value and class rate must then be multiplied by the local tax rate to determine the tax. The term "tax capacity extension rate" is replaced by local tax rate. This would once have been called a mill rate.

Local tax rates are a function of county, local government, and school district spending. For 1996, they range from a low of approximately .9 to a high of approximately 2.08 in St. Louis County. The following class rates were in effect through 1995 as follows:

	Class Rate
Payable 1992	4.75%
Payable 1993	4.70%
Payable 1994	4.60%
Payable 1995	4.60%
Payable 1996	4.60%

Since 1963, the Revenue Department has tried to maintain all ores on the tax rolls, including the uneconomic, underground, and unavailable classifications. A schedule of minimum rates was established in 1963 and major revisions were made in 1974, 1986, 1988 and 1992. The "Market Values" for iron ores which do not show a value with the Hoskold Formula are determined from the schedule of minimum rates.

Effective on January 2, 1988 for taxes payable in 1989, a new schedule of minimum rates expressed as Market Value was adopted by the Department. The previous schedule which had been in effect since January 2, 1986 did not fully reflect current conditions in the iron ore industry.

The 1992 legislature amended M.S. 273.1104, Subd. 1, to eliminate the "times three" multiplier provision in valuing iron ore. In conjunction with this change, the Department of Revenue agreed to triple the minimum rates used in valuing uneconomic ores. Other adjustments made to some of the factors in the Hoskold Formula had the effect of increasing values for the few properties still valued by this method. Therefore, the net effect of the legislative change is close to revenue neutral as was intended. The new schedule of minimum rates revised in 1992 listing market value per ton is shown on the following page.

Figure 39

MINIMUM RATES

Open Pit Uneconomic	Ore Classification	Market Value/Ton (Cents)
(Stripping ratio less than five-to-one)	Wash Ore Concentrate (OPC)	12.0
	Heavy Media Concentrate (HMC)	9.0
	Low Grade (OPPRC)	3.0
Underground Uneconomic		
(Stripping ratio greater than five-to-one)	Underground Concentrate >60% Fe (UGC)	2.4
	Underground Concentrate <60% Fe (UGC)	1.8
	Underground Heavy Media (UGHM)	1.5
	Low Grade (UGPRC)	.9
	Flooded Pits Converted to Aquaculture (UGLGA)	.9

Open pit ores which are too high cost to show a value with the Hoskold Formula are assigned minimum values from the open pit classification. Underground and uneconomic ores with stripping ratios exceeding five-to-one are assigned minimum values from underground uneconomic classification. Thus, the market value for underground wash ore with an iron content of less than 60 percent would be calculated as follows: Number of Tons x 1.8 Cents-Per-Ton = Market Value. The tax would then be determined using the tax capacity formulas explained previously.

Figure 40

IRON ORE AD VALOREM TAX PAYABLE

			ESTIMATED TAX PAYABLE			
YEAR ASSESSED	MARKET VALUE	YEAR PAYABLE	CROW WING	ITASCA	ST. LOUIS	TOTAL
1980	$26,772,233	1981	$42,659	$585,267	$3,061,142	$3,689,068
1981	25,378,108	1982	43,640	487,610	3,239,027	3,770,277
1982	22,442,833	1983	44,479	217,269	3,282,925	3,544,673
1983	20,875,960	1984	51,659	222,023	3,425,894	3,699,576
1984	17,030,758	1985	50,925	152,997	3,122,369	3,326,291
1985	14,092,882	1986	49,508	142,558	2,844,507	3,036,573
1986	11,058,467	1987	29,405	113,672	2,483,064	2,626,141
1987	8,608,800	1988	30,228	112,449	2,229,592	2,372,269
1988	5,771,300	1989	19,365	46,426	812,665	878,456
1989	5,808,900	1990	18,633	44,130	811,489	874,252
1990	4,190,200	1991	17,712	41,199	584,779	643,690
1991	3,401,700	1992	18,966	45,019	429,850	493,835
1992	5,785,900	1993	19,600	46,000	274,900	340,500
1993	5,476,900	1994	21,300	48,100	257,600	327,000
1994	5,071,600	1995	14,300	35,100	265,700	315,100
1995	4,823,000	1996	12,100	32,200	235,100	279,400
1996	4,448,800	1997				

According to the provisions of M.S. 273.1104, a public hearing to review the valuations of unmined iron ore shall be held on the first secular day following May 20th. This hearing provides an opportunity for representatives of the mining companies and taxing districts to formally protest any of the ore estimates or valuation procedures which they believe to be incorrect. In addition, current conditions and future trends in the iron ore industry are discussed.

Iron ore ad valorem taxes are expected to continue their long decline as remaining economic deposits are mined. Beginning with the 1993 assessment, reserves in old flooded pits converted to aquaculture were classified as underground low-grade aquaculture (UGLGA).

AD VALOREM TAX ON SEVERED MINERAL INTERESTS

(M.S. §272.039, 272.04, 273.165)

DEFINITION

Severed mineral interests are those mineral interests that are owned separately from the title to surface interests in real estate. Severed mineral interests are taxed under M.S. sections 272.039, 272.04, and 273.165, subd. 1 at 40-cents per acre per year times the fractional interest owned. The minimum tax on any mineral interest (usually 40-acre tracts or government lots) regardless of the fractional interest owned, is $3.20 per tract. No tax is due on mineral interests taxed under other laws relating to the taxation of minerals, such as unmined taconite or iron ore, or mineral interests exempt from taxation under constitutional or related statutory provisions.

Ownership of a specific mineral or group of minerals (such as energy minerals or precious metals) rather than an actual fractional interest of all the minerals does not constitute a "fractional interest". Thus, if one individual reserved all minerals except gas, oil and hydrocarbons, and a second entity reserved the hydrocarbons, each owner would be subject to the full $.40/acre tax.

The severed mineral tax is a property tax that is levied by local taxing authorities in the same manner as other local property taxes. Proceeds from the tax are distributed: 80 percent is returned by the county to local taxing districts where the property is located in the same proportion that the local tax rate each taxing district bears to the total surface tax rate in the area, and 20 percent to the Indian Business Loan Account in the State Treasury for business loans to Indians by the Indian Affairs Council under M.S. section 116J.64 (1990). The registration and taxation of severed mineral interests is primarily a county function. The severed mineral interests are registered with the county recorder in the county where the interest is located. The county auditor then sends a tax statement similar to any other real estate interest. The tax is normally collected in two increments payable in May and October.

NON PAYMENT PENALTY - FORFEITURE

The eventual penalty for not paying the tax is forfeiture. Policies may vary somewhat between counties. Specific questions about the tax, interest, or penalties should be directed to the county recorder and auditor in the county where the minerals are located.

TAX IMPOSED

The tax on severed mineral interests was enacted in 1973 as part of an act that required owners of these interests to file a document--with the county recorder where the interests were located--describing the mineral interest and asserting an ownership claim to the minerals. The purpose of this requirement was to "identify and clarify the obscure and divided ownership conditions of severed mineral interests in this state," M.S. section 93.52. Failure to record severed mineral interests within time limits established by the law results in forfeiture to the state, M.S. section 93.55.

HISTORY OF LITIGATION

In 1979, the Minnesota Supreme Court ruled that the tax, the recording requirements, and the penalty of forfeiture for failing to timely record were constitutional, but also ruled that forfeiture procedures were unconstitutional for lack of sufficient notice and opportunity for hearing. This decision is cited as Contos, Burlington Northern, Inc. U.S. Steel, et al. v. Herbst, Commissioner of Natural Resources, Korda, St. Louis County Auditor, Roemer, Commissioner of Revenue, and the Minnesota Chippewa Tribe, et al., 278 N.W. 2d 732 (1979). The U.S. Supreme Court refused to hear an appeal requested by one of the plaintiffs. Shortly after this decision, the legislature amended the law to require notice to the last owner of record and a court hearing before a forfeiture for failure to timely record becomes complete. Under these requirements, court orders have been obtained by the state in several counties declaring the forfeiture of particular severed mineral interests to be complete and giving title to the state.

In 1988, the Legislature amended the law to allow the Commissioner of Natural Resources to lease unregistered severed mineral interests before entry of the court order determining the forfeiture to be complete. However, mining may not commence under such a lease until the court determines that the forfeiture is complete.

In a later separate case, the Minnesota Supreme Court ruled in 1983 that severed mineral interests owned by the Federal Land Bank of St. Paul were exempt from the state severed mineral tax under a federal law exempting Land Bank real estate from local property taxes.

Figure 41

TAX COLLECTION AND DISTRIBUTION

Period Ending	80% Retained by Local Government	20% Payment to Indian Business Loan Account	Total Collections of Affected Counties
December 31, 1990	$377,772	$94,443	$472,215
December 31, 1991	455,128	113,782	568,910
December 31, 1992	494,612	123,653	618,265
December 31, 1993	339,512	84,878	424,390
December 31, 1994	342,068	85,517	427,585
December 31, 1995	547,372	136,843	684,215

INDIAN BUSINESS LOAN ACCOUNT

The twenty percent portion of the Severed Mineral Interest Tax which is allocated to the Indian Affairs Council is reported by the county auditors on the abstract of Tax Settlement form. This is a special form used for remitting several property related taxes to the state, including the Severed Mineral Interest Tax. Normally, the form is submitted twice each year to correspond with payment of property taxes.

The monies collected in the severed mineral interest account are distributed to the Indian Affairs Council at the end of each month. The tax is collected by the county auditors twice each year (May and October) in the same manner as other property taxes. If the severed mineral interest tax is less than $50, the taxpayer is required to pay in full with the May payment.

A copy of the Abstract of Tax Settlement form is shown as follows:

Figure 42

Minnesota Department of Revenue
Mail Station 3340
Saint Paul, Minnesota 55146-3340
(612) 296-2286

ABSTRACT OF TAX SETTLEMENT

Name of County	Period of Report From , 19 to , 19

STATE'S SHARE OF THE FOLLOWING:

Reimbursement of Homestead Benefits	$________
$5.00 County Conservation Fee (M.S. 40.A152, Subd. 1)	________
State Deed Fees (M.S. 282.09)	________
Repurchased Deed Fees (M.S. 282.241-.324)	________
Severed Mineral Interest	________
Total	$________

Acknowledged Correct

Signature of County Treasurer   Date   Signature of County Auditor   Date

This form is to be used only for those settlements that are payable to the Commissioner of Revenue. Items payable to the State Treasurer, for example, real estate assurance account, should not be shown or remitted with this report.

Remittance should accompany each settlement and should be made by one warrant equal to the total shown above and payable to the Commissioner of Revenue.

DEPARTMENT OF REVENUE

The processing and payment of the Severed Mineral Interest Tax is handled by the Document Processing Division of the Department of Revenue in St. Paul. The Deposit Control Section is responsible for severed minerals tax (612) 296-5960 or 296-2717. The Special Taxes Division (Sharon Scott) 612 282-5787 is responsible for reporting collections to the Indian Affairs Council.

INDIAN AFFAIRS COUNCIL

The Indian Affairs Council, which administers the twenty percent portion of the tax allocated for the Indian Business Loan Account, may be contacted at (218) 755-3825 in Bemidji. Theresa Wilson is the person in the Bemidji office responsible for the Indian Business Loan Account.

TAXES ON OTHER MINING AND/OR EXPLORATION

This section will identify and explain the taxes that apply to the exploration and/or mining of materials other than iron ore.

Figure 43 identifies each tax by statute number and references each of them in this publication.

Base Metals	*Precious Metals*	*Energy Minerals*
Copper, Nickel	Gold, Silver	Coal, Oil, Gas
Lead, Zinc, Titanium	Platinum Group	Uranium

Figure 43

INDEX OF OTHER MINING/EXPLORATION TAXES

Tax	Current Laws	Mining Tax Guide Page No.
Ad Valorem Tax (Smelter and Plant Facilities Only)	(M.S. 272 and 273)	Page 50
Net Proceeds Tax	(M.S. 298.015-298.018) - 2.0%	See Page 51
Occupation Tax	(M.S. 298.01) - 9.8%	See Page 28
Sales and Use Tax	(M.S. 297A) - 6.5%	See Page 40
Severed Mineral Interest	(M.S. 272.039, 272.04, 273.165)	See Page 48
Withholding Tax on Royalty Payments	(M.S. 290.923) - 7% Withholding from Royalty Payments	See Page 37

AD VALOREM TAX (M.S. 272-273)

The 1991 legislature amended the definition of real property in M.S. 272.03, subdivision 1, to specifically *exclude* mine shafts, tunnels, and other underground openings used to extract ores and minerals taxed under chapter 298. This is consistent with the Department of Revenue's previously stated position on taxation of those items. The tax on ore reserves (other than taconite and iron ore) was specifically removed in 1987. (M.S. 273.12, 1987, c. 268, art. 957). Companies mining any of the minerals listed would be subject to property tax like any other business, i.e., on the value of the land and buildings only.

Machinery such as pumps, motors, grinding mills, etc., is considered personal property and *not* subject to ad valorem tax. In 1996 the St. Louis County Assessor indicated that new industrial buildings were valued at $25 to $30 per square foot for ad valorem tax purposes. Storage buildings may be assessed as low as $9 or $10 per square foot. Rates are set by the county, local communities, and school districts according to statute, and the tax is administered and collected by the county.

Minnesota's property taxes are computed as follows:

For commercial and industrial property, the assessor's estimated market value is multiplied by a class rate (see below) to obtain gross tax capacity (The first $100,000 of value is at 3.0 percent). This is then multiplied by the local tax rate to calculate tax payable. In St. Louis County, where the majority of Minnesota's mining industry is located, the local tax rates varied from .9 to approximately 2.08. For more detailed information refer to the section in the guide on "Ad Valorem Tax on Auxiliary Mining Lands for Taconite Operations". The legislature has established target class rates lower than the current rate to reduce the tax burden on commercial and industrial property. These rates are:

	CLASS RATES Over $100,000	First $100,000
Payable 1992	4.75%	3.1%
Payable 1993	4.70%	3.0%
Payable 1994	4.60%	3.0%
Payable 1995	4.60%	3.0%
Payable 1996	4.60%	3.0%

There are some special policies that apply to metallic minerals leases (Minn. Rules, parts 6125.0100 - .0700) issued by the Department of Natural Resources. The Commissioner of Revenue has advised all county auditors and assessors that these leases issued by the DNR constitute a taxable interest in real estate (M.S. 272.01, subd. 2(a) & (b)). The taxes are to be assessed and collected as personal property taxes and do not become a lien against the real property. The Commissioner further advised that since activities under the leases during the initial years are limited to exploration, the tax should not exceed the severed minerals interest tax during the exploration stage. For all taxes levied in 1994 and thereafter, and payable in 1995 and thereafter, the tax should not exceed $.40 per acre while the lease activities constitute exploration. Specific leases may vary, but the tax is to be determined based on the number of acres made available to the lessee and the fractional interest, if any, that is leased.

To date, none of the metallic minerals leases have progressed beyond the exploration stage. The Department of Natural Resources, Minerals Division, should be contacted to determine the status of activities under any state metallic minerals lease.

NET PROCEEDS TAX (M.S. 298.015-298.018)

A tax equal to two percent of the net proceeds from mining in Minnesota applies to all mineral and energy resources except sand, silica sand, gravel, building stone, all clays, crushed rock, limestone, granite, dimension stone, horticultural peat, soil, iron ore, and taconite. Net proceeds are the gross proceeds from mining less allowable deductions. The net proceeds tax has been in effect since 1987 and is due on June 15 of the year succeeding the calendar year of the report.

Additional information is available from the Minerals Tax Office.

Gross Proceeds

1) If the minerals are sold in an arms-length transaction, the gross proceeds are the proceeds from the sale.

2) If the minerals are used by the taxpayer or disposed of in a non-arms-length transaction, such as shipments to a wholly-owned smelter or transactions between affiliated companies, the gross proceeds are determined as follows:

   a) Prices are determined using the average annual price in the Engineering and Mining Journal. If there is no average annual price for the mineral, then an arithmetic average of the monthly or weekly prices published in the Engineering and Mining Journal is used. For minerals not listed in the Engineering and Mining Journal, another recognized published price as determined by the Commissioner of Revenue will be used; and

   b) the price as determined above is multiplied by the amount of the mineral credited or paid for by the smelter. Any special smelter charges included in this price are deducted. The resulting amounts are the gross proceeds for tax calculation.

Net Proceeds

The net proceeds tax was designed to apply to mining, generally after initial beneficiation of the ore is completed. It is not intended to tax value added by further refining, smelting, or hydrometallurgical processes applied to previously beneficiated ore concentrates.

Net proceeds are gross proceeds less certain deductions. Not all expenses, however, are allowed as a deduction. The following is a comprehensive list of unallowable deductions and allowable deductions:

Unallowable Deductions Include:

-- Sales, marketing, and interest expense.
-- Insurance and tax expense not specifically allowed.
-- Administrative expense outside of Minnesota.
-- Research expense prior to production.
-- Reserve for reclamation costs after production ends.
-- Royalty expense, depletion allowances, and the cost of mining land.

Allowable Deductions

Certain ordinary and necessary expenses actually paid for mining, production, processing, beneficiation, smelting or refining are allowed as deductions:

-- Labor, including wages, salaries, fringe benefits, unemployment and workers' compensation insurance.
-- Operating equipment and supplies, including sales and use tax paid. Cost of machinery, equipment, and supplies of a capital nature is deductible as depreciation expense only, per Section 167 of the I.R.C.
-- Transportation of the minerals if the expense is included in the sales price.
-- Administrative expense inside Minnesota.
-- Exploration, research, or development expense in Minnesota is deductible in the year paid.
-- Exploration and development expense in Minnesota incurred prior to production must be capitalized and deducted on a straight-line basis over the first five years of production.
-- Reclamation costs paid in a year of production.

The carryback or carryforward of deductions is not allowed.

Distribution

The net proceeds tax on minerals and energy resources mined or extracted within the taconite tax relief area will be distributed according to the formula provided by M.S. 298.018. Tax paid on minerals and energy resources mined outside of the taconite tax relief area will be deposited in the general fund. A summary of M.S. 298.018 distribution is listed:

(1) Five percent to the city or town where the minerals are mined or extracted.
(2) Ten percent to the Municipal Aid Account.
(3) Ten percent to the school district where mining or extraction occurred.
(4) Twenty percent to the School 22-cent Fund.
(5) Twenty percent to the county where mining or extraction occurred.
(6) Twenty percent to Taconite Property Tax Relief, St. Louis County as fiscal agent.
(7) Five percent to the I.R.R.R.B.
(8) Five percent to the N.E. Minnesota Economic Protection Trust Fund (2002 Fund).
(9) Five percent to the Taconite Environmental Protection Fund.

The proceeds shall be distributed on July 15.

Economic Development Incentives

The Iron Range Resources and Rehabilitation Board (I.R.R.R.B.) has authority to loan up to $5 million for a new mine or processing plant subject to net proceeds tax. This authority expires December 31, 1997. The I.R.R.R.B. loans are generally made at below market rates.

OCCUPATION TAX-CORPORATE INCOME TAX (M.S. 298.01)

The Minnesota Constitution mandates that the state impose an occupation tax on the business of mining. In order to meet this constitutional requirement, the Occupation Tax shall be computed in accordance with the Minnesota Corporate Franchise (Income) Tax beginning with 1990.

The Corporate Income Tax is 9.8 percent and contains an alternative minimum tax. The effective corporate tax rate for a base or precious metals mine is expected to be about three percent because of the income allocation for out-of-state sales (70%). The three percent rate could vary somewhat depending upon the impact of the allocation formula. For more information on the Alternative Minimum Tax, refer to M.S. 290.092, Subdivision 4, or contact the Minerals Tax Office.

WITHHOLDING TAX ON ROYALTY (M.S. 290.923)

Beginning January 1, 1990, all persons or companies paying royalty were required to withhold Minnesota income tax from their royalty payments (7%) and remit the withholding tax and applicable information to the State of Minnesota, Department of Revenue. See section on Income Tax Withholding on Mining and Exploration Royalty for further information.

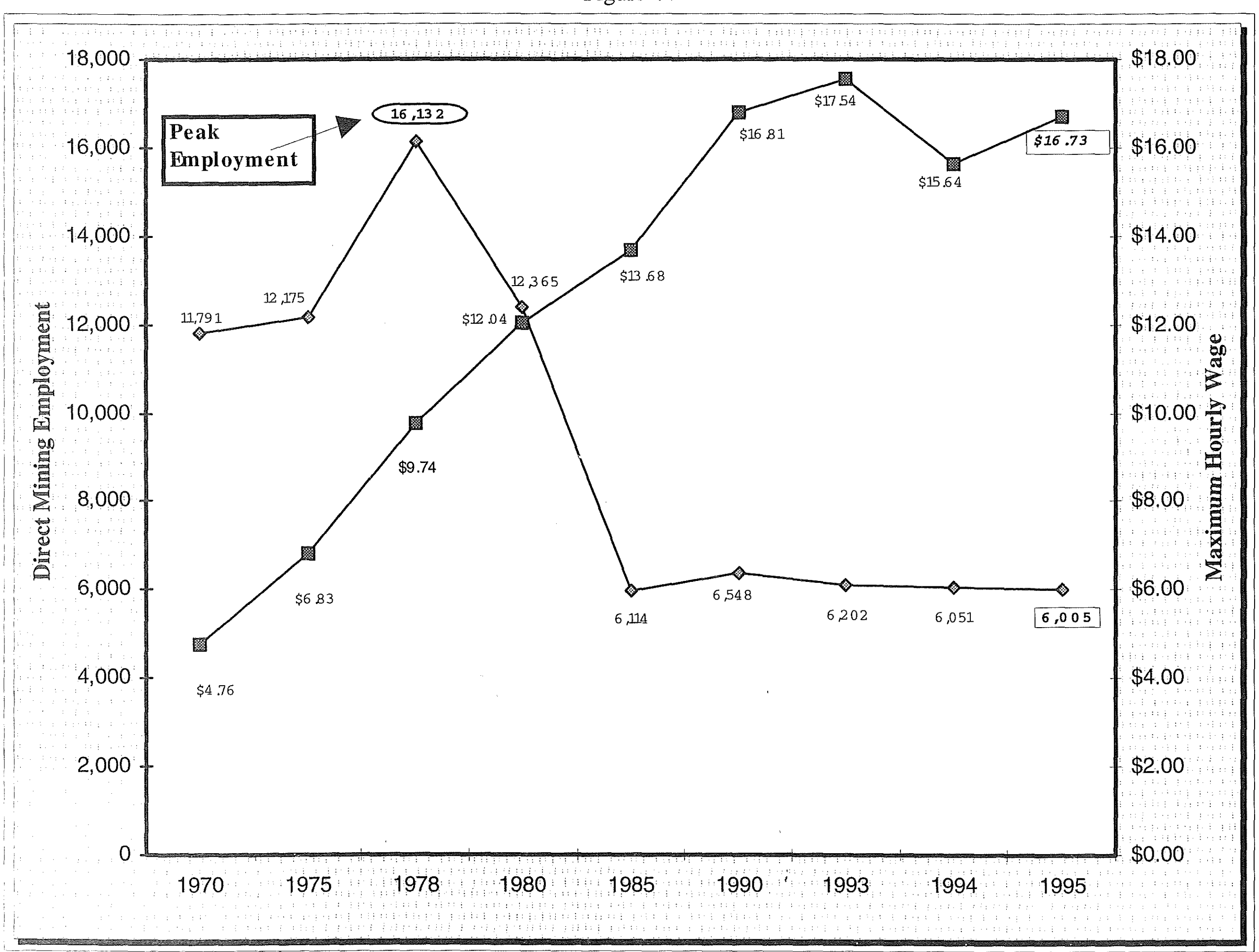
SALES AND USE TAX (M.S. 297A)

All firms involved in the mining or processing of minerals will be subject to the 6.5 percent sales and use tax on all purchases, except those qualifying for the Industrial Production Exemption. This exemption covers items that are used or consumed in the production of personal property to be sold ultimately at retail. Classification of items included in this exemption are chemicals, fuels, petroleum products, lubricants, packing materials, electricity, gas and steam. Explosives, a major expense for mining, are exempt under the chemical classification. Any new mining and/or processing facility would qualify for a refund of the 6.5 percent sales or use tax paid on capital equipment used to manufacture, fabricate, mine or refine tangible personal property to be sold ultimately at retail. For details, contact the Minerals Tax Office.

The specific exemption of mill liners applies only to the taconite industry. Purchases of liners or lining materials by other mining operations would be subject to sales and use tax.

Mining Employment and Wages

Figure 44



GLOSSARY OF TERMS

Acid Pellets -- Taconite pellets comprised of iron, oxygen and silica held together by a binder such as bentonite (clay) or peridor (organic).

Arms-Length Transaction -- A sale of iron ore or pellets representing a true free market transaction when the buyer normally does not have an ownership or other special relationship with the seller.

BOF -- Basic oxygen furnace - A steel making furnace invented in Austria. It began to replace the open hearth furnaces in the 1960's. It is currently the standard furnace used by the integrated steel producers in the United States.

Beneficiation -- The process of improving the grade of or by removing impurities through concentrating or other preparation for smelting, such as drying, gravity, flotation or magnetic separation. In taconite operations, this includes the first stage of magnetic separation and converting the concentrate into taconite pellets for use in making steel.

DRI -- Direct reduced iron - A relatively pure form of iron (usually 90% + Fe) which is produced by heating iron ore in a furnace or kiln with a reducing agent such as certain gasses or coal.

Dry Weight -- The weight of iron ore or pellets excluding moisture. For pellets, the dry weight is normally one to two percent less than the natural weight.

EF, EAF -- Electric Arc Furnace - A furnace in which an electric current is passed through the charge (usually scrap steel) to produce molten steel. These furnaces are much smaller than the conventional BOF's used by the integrated steel producers.

Economic Protection Fund -- Often referred to as the 2002 Fund. A portion of taconite production tax revenues is allocated to this fund with the idea that it would be used after the year 2002 to diversify and stabilize the long-range economy of the Iron Range.

Etinocat -- Taconite spelled backwards. This is to see if anyone is using the glossary.

Fe Unit -- Commonly referred to as an iron unit. An iron unit is a term of measurement denoting one ton containing one percent iron. Iron ore and taconite produced in the United States is measured in long tons (defined below). One long ton of taconite containing 65 percent iron also contains 65 "long ton" iron units.

The purpose for this type of measurement is the historical and continued use of the selling price quoted in cents per iron unit. One example is a currently published price of acid pellets FOB mine at 37.344-cents per dry gross ton iron unit OR $.37344 per iron unit.

Fiduciary -- An individual or an organization holding something in trust for another. (Sales tax collected establishes a fiduciary relationship between collector and the State of Minnesota.)

Flux Pellets -- Taconite pellets containing limestone or another basic flux additive. Flux pellets eliminate the need to add limestone in the blast furnace, improving productivity and quality. Adding flux reduces the iron content of a pellet. Flux pellets, as used in this guide, means pellets containing 2.0% or more limestone or other flux.

Partial Flux Pellets -- Flux pellets containing 1.99% or less limestone or other flux additive.

Gross National Product Implicit Price Deflator (GNPIPD) -- An index maintained by the U.S. Department of Commerce measuring inflation in the overall economy. The taconite production tax rate is adjusted annually based on the change in this index.

Integrated Steel Producer -- Term used to describe older steel companies that produce steel by starting with raw iron ore, reducing it to molten iron in a blast furnace, and producing steel with a BOF, open hearth, or electric furnace.

Lake Erie Value -- The traditional and quoted price of iron ore from the earliest days of iron ore mining in Minnesota and Michigan. This price per iron unit included delivery, mainly rail and lake transportation, from the mine to a Lake Erie port.

This was the starting point for occupation tax since it began in 1921. It was the standard method of pricing domestic iron ore and taconite for occupation tax until the mid-1980's (see Mine Value).

Long Ton -- The standard unit of weighing for iron ore and taconite in the United States. A long ton is 2,240 pounds.

M.S. §298.225 -- A Minnesota statute guaranteeing the taconite production tax aids received by municipalities, counties, schools and the I.R.R.R.B.. The aid levels are adjusted according to a sliding scale based on production levels.

Metric Ton -- Standard unit for weighing iron ore and taconite in most areas of the world. A metric ton equals 1,000 kilograms or 2,204.6 pounds.

Mine Value --The value of iron or pellets at the mine. This became the starting point for occupation tax in 1987. This value per iron unit DOES NOT include any rail or lake transportation beyond the mine.

Mini Mill -- A small steel mill using an electric furnace which produces steel from scrap iron. As of December 31, 1995 mini mills accounted for nearly 40% of the U.S. production of steel.

Natural Weight -- The weight of iron ore or pellets including moisture.

Net Proceeds Tax -- A tax equal to two percent of net proceeds from mining. Net proceeds are determined by subtracting certain basic deductions such as labor equipment, supplies and depreciation from gross proceeds or sales.

Non-Equity Sales -- See "Arms-Length Transaction".

Open Hearth -- An obsolete steel making furnace still used in some Eastern European and 3rd world countries. No open hearth furnaces are presently operating in the United States.

Pellet Chip -- Broken pellets often cannot be sold as pellets and instead are sold at a reduced price for sinter plants and other uses. For occupation tax purposes, chips are defined as : "Individual shipments or stockpiles containing at least 85 percent of pellet chips smaller than one-fourth inch". Such chips cannot be shipped or commingled with regular pellets.

For 1995 occupation tax purposes, pellet chips were valued at 75 percent of the value of the unbroken pellets.

Percentage Depletion -- A taxable income *deduction* representing a return on capital investment on a "wasting" asset subject to a gradual reduction in reserves. This deduction applies to income derived from various mining or oil and gas properties. For iron ore, the *deduction* is a flat percentage of 15 percent of income from the **iron ore** only mined on a specific property is allowed.

This deduction, however, cannot exceed 50 percent of taxable income from the property computed without the depletion deduction.

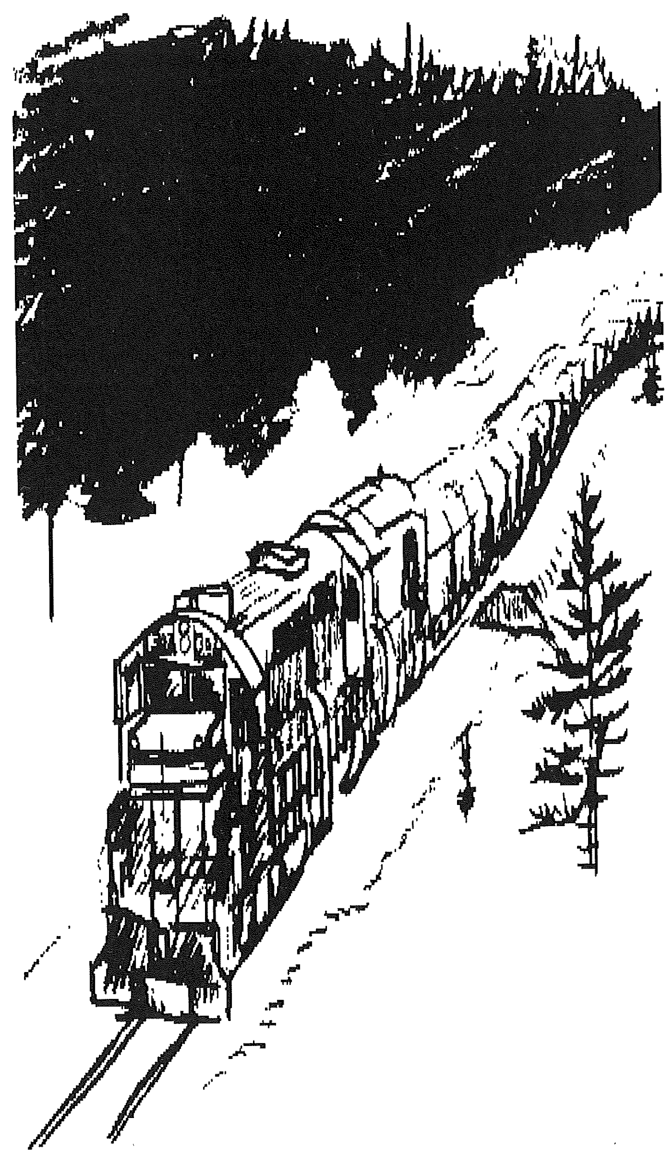
Range Association of Municipalities and Schools (RAMS) -- An association representing all Iron Range cities, towns and schools receiving any funding from the taconite production tax. An office is maintained in Buhl, Minnesota.

Royalty -- Any amount (money or value of property) received for granting permission to explore, mine, take out or remove ore.

Short Ton -- Standard for weighing many commodities in the United States. Equals 2,000 pounds.

Steel Mill Products Index (SMPI) -- A United States government index tracking the actual selling price of all steel products in the United States. This index is published monthly by the Department of Labor. This index is part of the formula used to determine a mine value for occupation tax purposes each year.

Taxable Tons -- The ***three-year average*** of the current and prior two years production. The taconite production tax is based on taxable tons. The weight is on a dry basis without any flux additives.



MINING INDUSTRY TAX CALENDAR

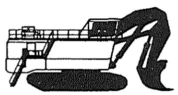
JANUARY

-- Ad Valorem Tax Reports mailed to companies.
-- Ad Valorem estimates submitted by companies (January -February).
15 -- Form MT-11, Taconite and Semi-TaconiteTax Report mailed to companies with memorandum.
31 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.

SALES AND USE TAX

Electronic Fund Transfers (all months):

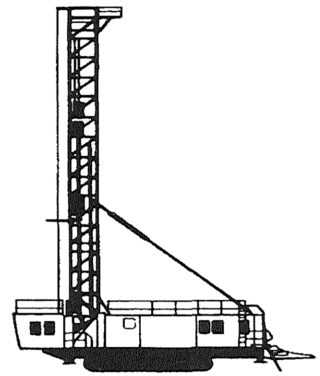
14 -- Payments must be made.
25 -- Return mailed to St. Paul.



FEBRUARY

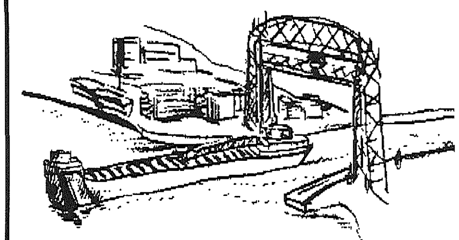
1 -- Royalty/Withholding Tax Paid Report, MT2-RW, due.
-- Taconite Production Tax Report due from companies.
15 -- Taconite Production Tax determinations mailed to companies.
-- Printout listing 100% production tax payment sent to county auditors.
-- School bond payment schedule mailed to Itasca, Lake and St. Louis counties.
-- Notice of Taconite Production Tax Aids mailed to recipients.
24 -- Taconite Production Tax payment (100%) due in county offices by electronic fund transfer.
25 -- Distribution of Taconite Production Tax by counties (collected February 24).
28 -- Form MW-3, Minnesota Annual Reconciliation of Income Tax Withheld due.

MARCH



APRIL

1 -- Owner or lessee of mineral rights submits specific data on drill hole logs and lab tests during previous year for Unmined Taconite Tax.
15 -- Ad Valorem Tax present worth estimates mailed to companies.
30 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.

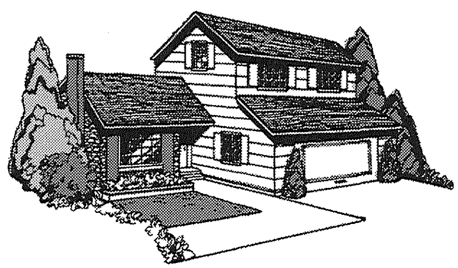


MAY

1 -- Occupation Tax Return and payment due.
15 -- First half property tax on taconite railroad property due to counties.
20 -- Ad Valorem tax hearing held on first business day after May 20.
31 -- Production Cost Summary Report (Goldenrod Form) due.

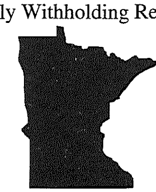
JUNE

30 -- Ad Valorem Tax final adjustments to property equalization sheets mailed to county assessors.



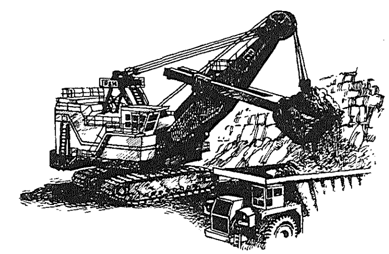
JULY

1 -- Commissioner of Revenue will certify amount of Taconite Municipal Aid to municipality.
15 -- Taconite Referendum distribution to school districts of Taconite Production Tax made by the counties.
31 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.



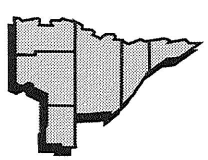
AUGUST

-- Form MW-5 and payment of income tax withheld due at varying times each month depending on amount of tax due, i.e., eighth-month period or monthly.



SEPTEMBER

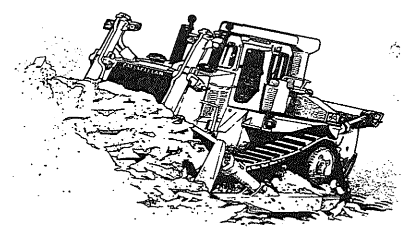
15 -- Taconite Municipal Aid account funds distributed by counties.
-- Minnesota Mining Tax Guide available in early September.



OCTOBER

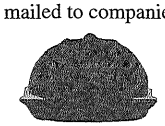
10 -- Taconite Production Tax estimates due from companies.
15 -- Second half property tax on taconite railroad property due to counties.
31 -- Form MW-1, Minnesota Employer's Quarterly Withholding Return due.

NOVEMBER



DECEMBER

1 -- Minerals Tax Office submits Unmined Taconite Tax Reports to county assessors.
30-- Occupation Tax forms mailed to companies.
30-- Royalty/Withholding Tax Paid Report, MT2-RW, mailed to companies.

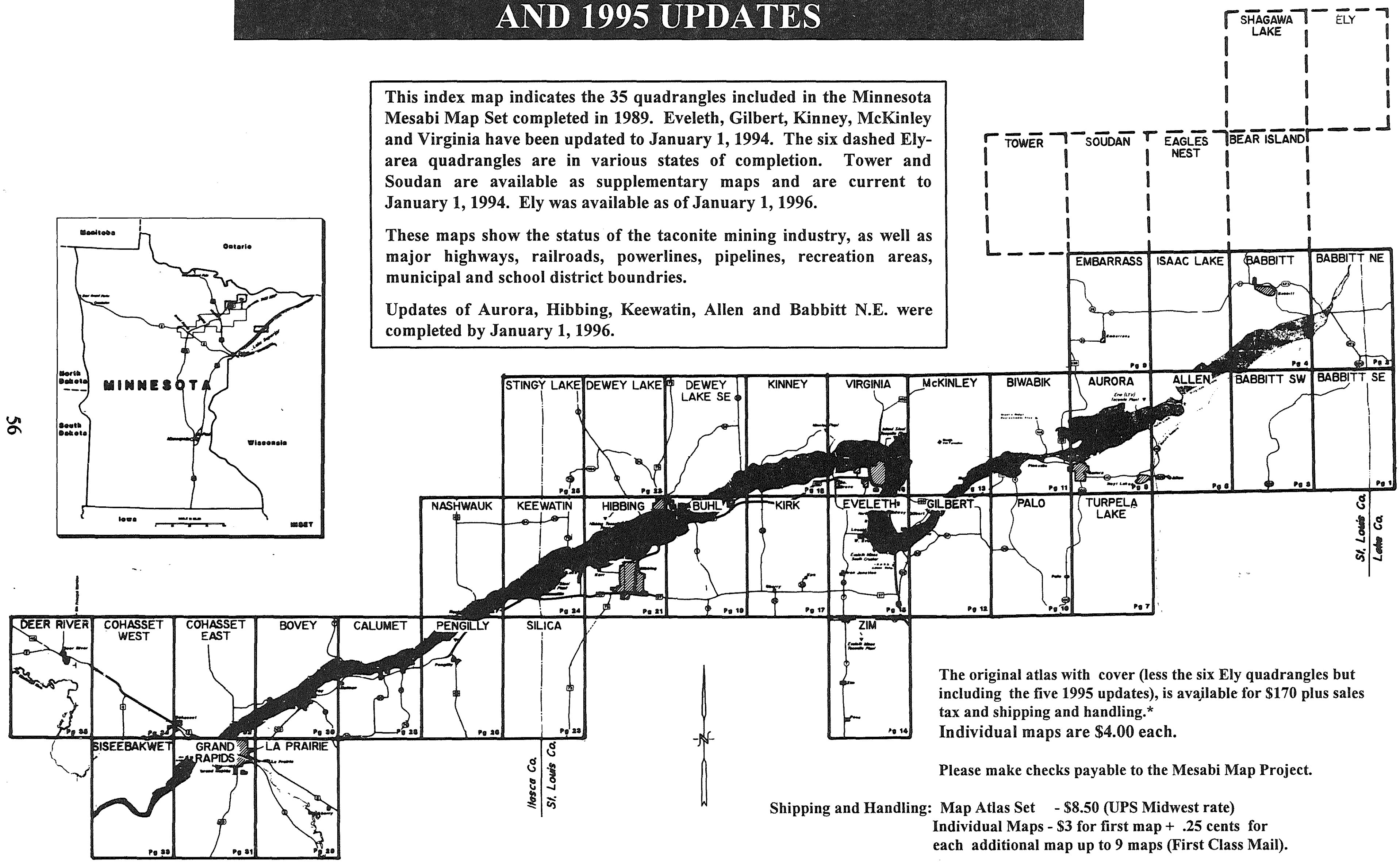


INDEX MAP - MINNESOTA MESABI MAP SET AND 1995 UPDATES

This index map indicates the 35 quadrangles included in the Minnesota Mesabi Map Set completed in 1989. Eveleth, Gilbert, Kinney, McKinley and Virginia have been updated to January 1, 1994. The six dashed Ely-area quadrangles are in various states of completion. Tower and Soudan are available as supplementary maps and are current to January 1, 1994. Ely was available as of January 1, 1996.

These maps show the status of the taconite mining industry, as well as major highways, railroads, powerlines, pipelines, recreation areas, municipal and school district boundries.

Updates of Aurora, Hibbing, Keewatin, Allen and Babbitt N.E. were completed by January 1, 1996.



The original atlas with cover (less the six Ely quadrangles but including the five 1995 updates), is available for $170 plus sales tax and shipping and handling.*
Individual maps are $4.00 each.

Please make checks payable to the Mesabi Map Project.

Shipping and Handling: Map Atlas Set - $8.50 (UPS Midwest rate)
Individual Maps - $3 for first map + .25 cents for each additional map up to 9 maps (First Class Mail).

Orders can be placed with the Minerals Tax Office, P.O. Box 481, Eveleth, MN 55734. Phone: (218) 749-7702 or Fax: (218) 749-9646.

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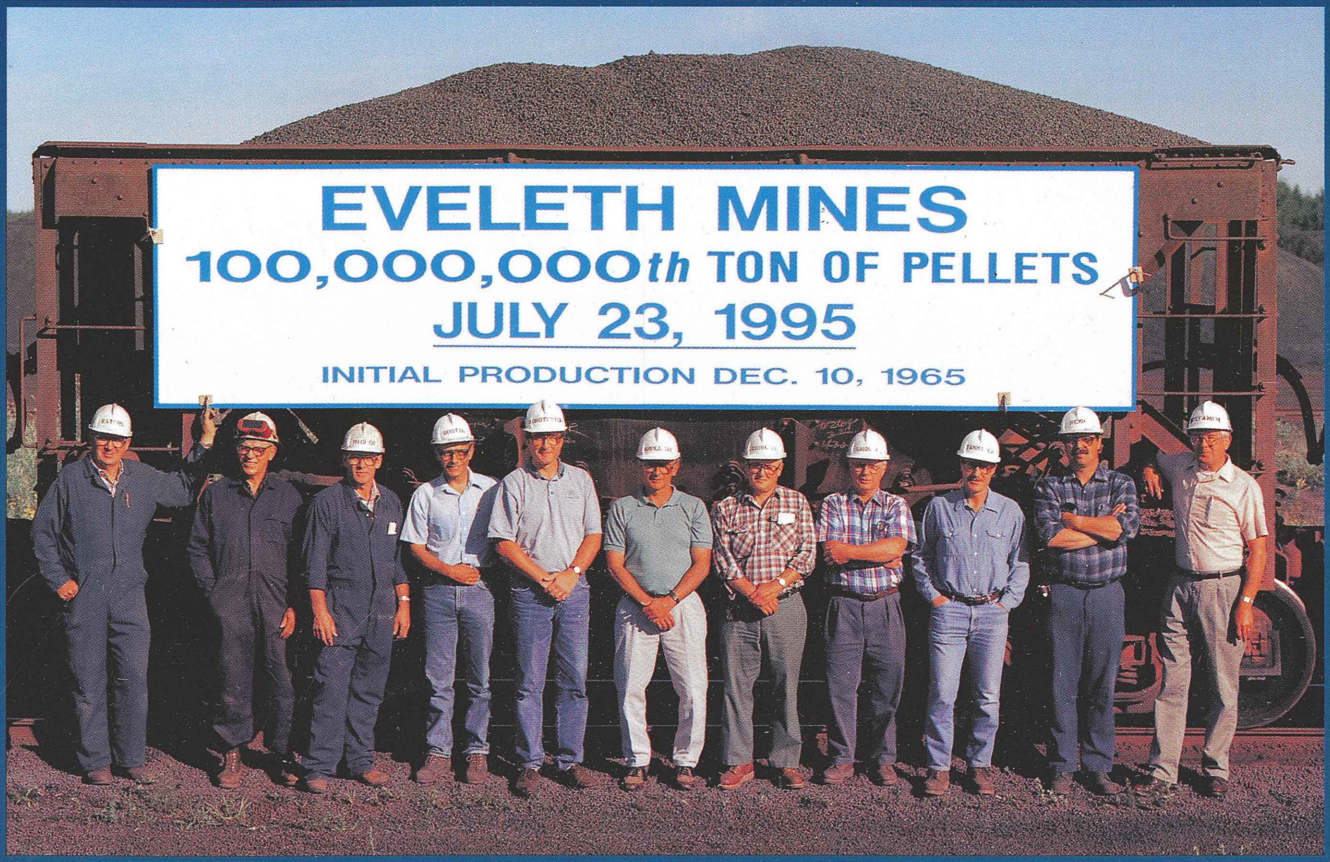

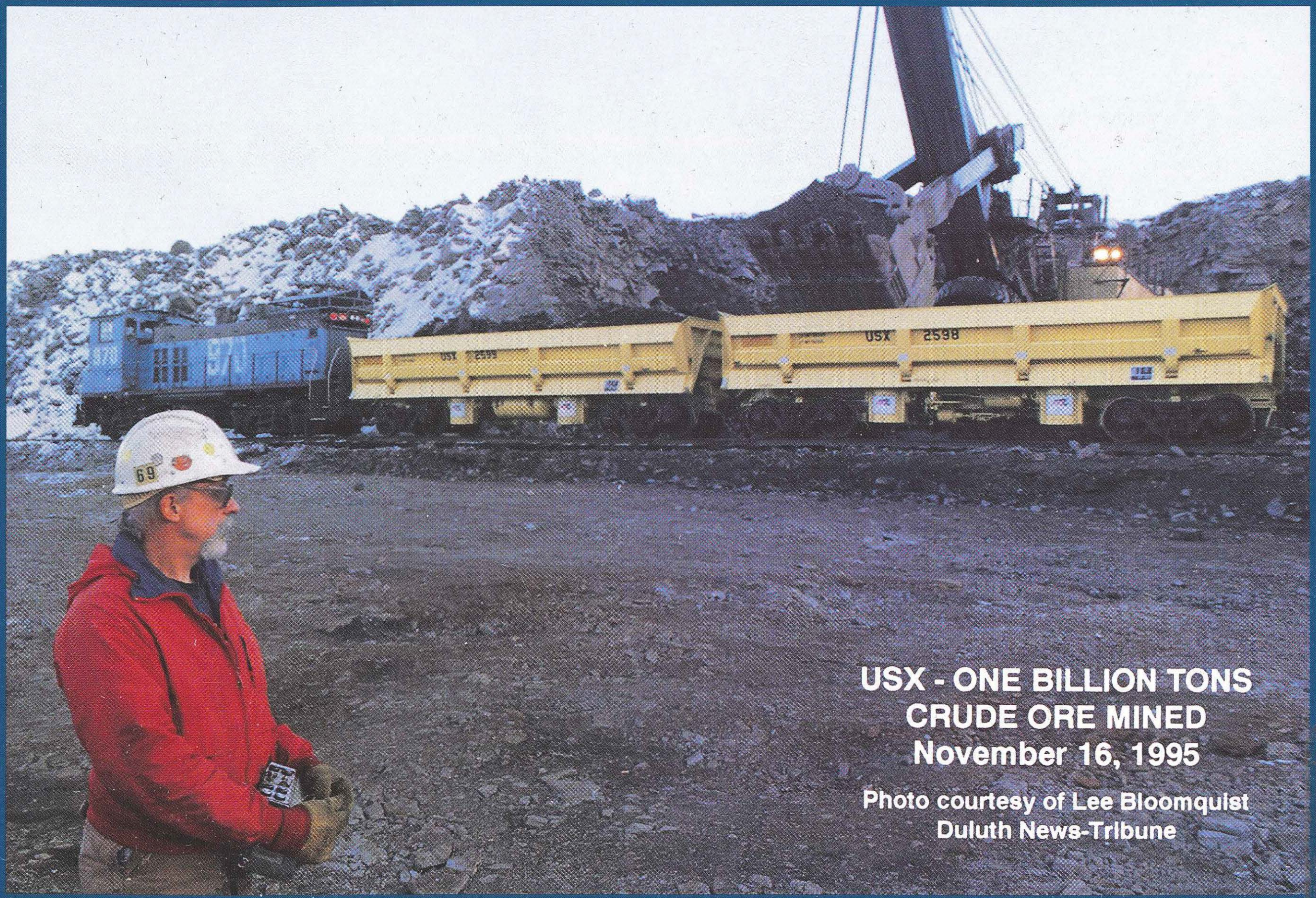

USX - ONE BILLION TONS
CRUDE ORE MINED
November 16, 1995

Photo courtesy of Lee Bloomquist
Duluth News-Tribune