

Fiscal Estimate Narratives

DOR 2/28/2013

LRB Number	13-1470/1	Introduction Number	AB-0046	Estimate Type	Original
Description Regulation of metallic mining, an occupation tax on iron mining, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This fiscal note discusses only those parts of the bill that directly affect the Department of Revenue (DOR).

MINING NET PROCEEDS TAX RATES AND COLLECTIONS

The mining net proceeds tax is a graduated tax based on the net proceeds (gross revenues less allowed deductions) from the mining of metalliferous minerals in the state. The tax is administered by the DOR. The tax brackets are adjusted annually, in January, to reflect the percentage change in the gross national product price deflator from the second quarter of the second preceding year to the second quarter of the preceding year. The tax rate schedule under current law for the most recent two years is shown in the attached table.

Under the bill, the tax on an iron ore mine that goes into operation after December 31, 2012 would be \$2.412 for each 2,240 pounds (metric ton) of ferrous minerals extracted, based on a 3 year average (excluding years in which no mining took place). Beginning in 2014, the tax rate would be adjusted at the same rate used to adjust the tax brackets applied to non-iron ore mines' net proceeds.

Because information is not available on the amount of ferrous minerals that might be extracted, the price obtainable for such minerals, and the profitability of the mines, it is not possible to reasonably estimate the change in the mine-related tax collections that the bill could engender.

USE OF MINING TAX COLLECTIONS

Under current law, 15 days after the mining net proceeds tax is collected by the DOR and remitted to the Department of Administration (DOA), the DOA transfers 100% of the collections to the Investment and Local Impact Fund (a SEG fund). Money in this fund is used by the Mining Investment and Local Impact Fund Board (MILIFB) for grants to local governmental units affected by mining.

Under the bill, 70% of mining tax collections from an iron ore mine will be allocated to the Investment and Local Impact Fund. The other 30% will be allocated to the Wisconsin Economic Development Commission (WEDC) for grants, loans, and other disbursements under the regional Wisconsin diversification program (a program created under the bill and administered by the WEDC).

The bill permits the MILIFB to make grants to counties, municipalities, redevelopment authorities, community development authorities, and housing authorities to prepare economic impact studies related to iron ore sites.

Since it is not possible to reasonably estimate the amount of mining taxes that could be paid by iron ore mines, it is not possible to reasonably estimate the reduction in the amount that would be allocated to the Investment and Local Impact Fund under the bill.

NOTICE OF INTENT PAYMENT

Under current law, when a mining company intends to submit a mining permit to the Department of Natural Resources, it must pay to the DOR up to \$150,000, in three separate \$50,000 installments, for deposit in the Investment and Local Impact Fund. This money can be disbursed by the Mining investment and Local Impact Fund Board to local governments affected by the proposed mine for their costs related to negotiating "local agreements" with the mining companies.

Under the bill, the payment to DOR is increased to as much as \$300,000 in three separate \$100,000 installments. Thus, it is possible that the total payments by a mining company with regard to notice of intent payments could increase by \$150,000.

Long-Range Fiscal Implications

Mining Net Proceeds Tax Brackets

Tax Rate	2011 Net Proceeds: Brackets for Taxes due in 2012		2012 Net Proceeds: Brackets for Taxes due in 2013	
	From:	To:	From:	To:
0%	\$ 0	\$ 527,600	\$ 0	\$ 536,600
3%	\$ 527,601	\$ 10,554,000	\$ 536,601	\$ 10,734,000
7%	\$ 10,554,001	\$ 21,107,900	\$ 10,734,001	\$ 21,467,900
10%	\$ 21,107,901	\$ 31,662,100	\$ 21,467,901	\$ 32,202,100
13%	\$ 31,662,101	\$ 42,216,400	\$ 32,202,101	\$ 42,936,400
14%	\$ 42,216,401	\$ 52,679,900	\$ 42,936,401	\$ 53,669,900
15%	\$ 52,679,901	And higher	\$ 53,669,901	And higher

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Regulation of metallic mining, an occupation tax on iron mining, and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$see text of tiscal note
Agency/Prepared By			
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		Date	
		2/28/2013	