



## Fiscal Estimate Narratives

DOR 3/5/2012

LRB Number	<b>11-4045/1</b>	Introduction Number	<b>SB-488</b>	Estimate Type	<b>Original</b>
<b>Description</b> Regulation of ferrous metallic mining and related activities, procedures for obtaining approvals from the Department of Natural Resources for the construction of utility facilities, making an appropriation, and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

The bill makes extensive changes to current law in relation to iron ore mines. This fiscal note is limited to the portions of the bill pertaining to the mining net proceeds occupation tax and the occupational tax on iron ore concentrates.

#### MINING NET PROCEEDS OCCUPATION TAX

Under current law, a mining net proceeds occupation tax is imposed on the mining of metallic minerals in Wisconsin (including iron ore). Under the bill, this tax would continue to apply to the mining of iron ore as would occur under current law.

Under current law, 100% of mining net proceeds occupation tax collections are deposited into a segregated fund known as the investment and local impact fund. The fund is managed by the Investment and Local Impact Fund Board, which generally distributes money to municipalities and counties affected by metallic mineral mining. Under the bill, the percentage of the mining net proceeds occupation tax collections deposited in the segregated investment and local impact fund would be reduced to 60%. The other 40% of collections would be deposited in the general fund.

Although the Department of Revenue (DOR) has not estimated the amount of mining net proceeds occupation taxes that any new iron ore mine could generate, prior collections may be used to illustrate the impact of the 60%/40% deposit split created by the bill. Collections from the mining net proceeds occupation tax peaked at \$6.4 million in FY96 during the operation of the Flambeau Mine near Ladysmith. At that time, the proceeds were split 60%/40% between the investment and local impact fund (\$3.8 million) and the badger fund (\$2.6 million). Under the provisions of this bill, the 40% share that was paid to the badger fund would have been paid to the general fund. Total mining net proceeds occupation tax collections are not affected by the bill.

#### OCCUPATIONAL TAX ON IRON ORE CONCENTRATES

If an iron ore mine comes into existence as a result of the bill, the occupational tax on iron ore concentrates under section 70.40 might become payable. This tax is imposed on the operator of an iron ore dock. A dock is defined as wharf or platform for loading or unloading of materials to or from ships, located in Wisconsin. The tax is imposed at a rate of \$0.05 per ton on all iron ore concentrates handled by or over the dock in the second year prior to when the payment is due (for example, the payment due on January 31, 2014, would be based on the tonnage handled in calendar year 2012). Although this tax is not currently collected (as the tax was held to be discriminatory against railroads under federal law because the only iron ore docks in Wisconsin are owned by railroads – see *Burlington Northern v. City of Superior*, 932 F.2d 1185 (1991)), it may be possible to legally impose this tax in the future.

Collections of the occupational tax on iron ore concentrates are allocated as follows: 30% is remitted to the state for deposit in the state general fund and 70% is retained by the municipality in which the ore dock is located. The DOR does not have sufficient information to reasonably estimate the amount, if any, of occupational taxes on iron ore concentrates that could become payable if a new iron ore mine is opened in the state.

### Long-Range Fiscal Implications