

Fiscal Estimate - 2013 Session

Original Updated Corrected Supplemental

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|--|--|
| LRB Number 13-0821/2 | Introduction Number SB-003 |
| Description Regulation of metallic mining, an occupation tax on iron mining, and making an appropriation | |
| Fiscal Effect | |
| State: | |
| <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs | |
| Local: | |
| <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |
| 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected | |
| <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566 (7) (v) | |
| Affected Ch. 20 Appropriations | |
| Agency/Prepared By DOR/ Daniel Huegel (608) 266-5705 | Authorized Signature Paul Ziegler (608) 266-5773 |
| Date 2/14/2013 | |

Fiscal Estimate Narratives

DOR 2/14/2013

| | | | | | |
|--|-----------|---------------------|--------|---------------|----------|
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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

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 Corrected
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| | | | |
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| 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 fiscal note | \$see text of tiscal note |
| Agency/Prepared By | | | |
| DOR/ Daniel Huegel (608) 266-5705 | | Authorized Signature | |
| | | Paul Ziegler (608) 266-5773 | |
| | | | Date |
| | | | 2/14/2013 |