

**SUBSTITUTE FOR
SENATE BILL NO. 1204**

A bill to amend 1951 PA 77, entitled

"An act providing for the specific taxation of low grade iron ore, of low grade iron ore mining property, and of rights to minerals in lands containing low grade iron ores; to provide for the collection and distribution of the specific tax; to make an appropriation; and to prescribe the powers and duties of the state geologist and township supervisors and treasurers with respect to the specific tax,"

by amending sections 3 and 4 (MCL 211.623 and 211.624), section 4 as amended by 1994 PA 367.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. (1) Beginning with the first calendar year after
2 production of merchantable ore from a low grade iron ore mining
3 property has been established on a commercial basis, the low
4 grade iron ore mining property shall be subject to a specific tax
5 equal to the average annual production in gross tons during the
6 preceding 5-year period, multiplied by 1.1% OR BEGINNING DECEMBER
7 31, 2001 THROUGH DECEMBER 31, 2006 0.75% of the mine value per

1 gross ton, based on the average natural iron analysis of
2 shipments for that year of the iron ore pellets or of the concen-
3 trated ~~and/or~~ OR agglomerated products. A year in which pro-
4 duction did not take place shall be excluded in computing the
5 average production but only until the property has a 5-year
6 record of commercial production. Mine value is determined by
7 subtracting from the published lower lake price of Lake Superior
8 iron ore pellets, or the particular concentrated ~~and/or~~ OR
9 agglomerated products as of December 31, for the subsequent cal-
10 endar year, all the transportation and handling costs, including
11 any tax charged for transporting or handling the iron ore pellets
12 or products, from the mining property to Lake Erie ports.

13 (2) As used in this section, "lower lake price" means the
14 base price of Lake Superior district iron ore pellets or of the
15 particular concentrated ~~and/or~~ OR agglomerated products at rail
16 of vessel at lower lake ports as published in "Iron Age" pub-
17 lished in New York City, New York, and "Industry Week" published
18 in Cleveland, Ohio. If either "Iron Age" or "Industry Week" is
19 not published or does not publish a price, a replacement trade
20 journal recognized and generally accepted as reliable by the iron
21 ore industry shall be substituted. If "Iron Age" or "Industry
22 Week" do not publish the same price, if 1 of the trade journals
23 publishes 2 different prices, or if the replacement trade journal
24 does not publish a price, the price shall be the generally pre-
25 vailing market price at which iron ore pellets or concentrated
26 ~~and/or~~ OR agglomerated products, of comparable quality and
27 utility, are being offered for sale in comparable quantity by or

1 on behalf of bona fide producers from sources in the continental
2 United States or Canada.

3 Sec. 4. (1) If the specific tax determined under section 3
4 is less than the specific tax determined under section 2, then
5 section 2 shall govern.

6 (2) The township supervisor shall remove from the list of
7 land descriptions assessed and taxed under the general property
8 tax act, ~~Act No. 206 of the Public Acts of 1893, as amended,~~
9 ~~being sections 211.1 to 211.157 of the Michigan Compiled Laws~~
10 1893 PA 206, MCL 211.1 TO 211.157, the land descriptions of prop-
11 erty taxed under this act, and shall enter the land descriptions
12 on a separate roll. The township supervisor shall spread the
13 specific tax against the property and the township treasurer
14 shall collect the specific tax at the same time, in the same
15 manner, and subject to the same collection charges as general
16 property taxes UNDER THE GENERAL PROPERTY TAX ACT, 1893 PA 206,
17 MCL 211.1 TO 211.157. Property listed and taxed under this act
18 shall be subject to return and sale for nonpayment of taxes in
19 the same manner, at the same time, and under the same penalties
20 as property returned and sold for nonpayment of taxes levied
21 under ~~Act No. 206 of the Public Acts of 1893, as amended~~ THE
22 GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.1 TO 211.157. A
23 valuation shall not be determined for a description listed under
24 this act and the property shall not be considered by the county
25 board of commissioners or by the state board of equalization in
26 connection with county or state equalization for taxation
27 purposes. If a low grade iron ore mining property is located in

1 more than 1 township, the state geologist shall determine the
2 portion attributable to each township. Except as provided in
3 ~~subsection~~ SUBSECTIONS (5) AND (6), sums collected under this
4 act shall be distributed by the township treasurer to school
5 districts, THIS STATE, and TO LOCAL governmental units in the
6 same proportion as the general property taxes are distributed.
7 ~~The distribution calculations for 1987 shall exclude the value~~
8 ~~of a power generating facility or a portion of a power generating~~
9 ~~facility that qualifies as low grade iron ore mining property.~~
10 The amounts distributed may be used by the school districts and
11 LOCAL governmental units for operating expenses, for capital
12 improvements, and for the accumulation of reserves in a building
13 and site fund or for the payment of interest or principal on
14 bonds.

15 (3) The tax provided in this act shall be in lieu of an ad
16 valorem tax on any of the following:

17 (a) The low grade iron ore.

18 (b) The low grade iron ore mining property.

19 (c) The mining of the low grade iron ore mining property.

20 (d) The production of iron ore pellets or other concentrated
21 or agglomerated products.

22 (e) The iron ore pellets or other concentrated or agglomer-
23 ated merchantable products.

24 (f) Land occupied by or used in connection with the mining,
25 transportation, and beneficiation of the ore and shipping of iron
26 ore pellets or other concentrated or agglomerated merchantable
27 products.

1 (4) For specific taxes levied after 1993, to determine the
2 proportion for the disbursement of taxes under this section and
3 for attribution of taxes under subsection (5) for the specific
4 taxes collected pursuant to this act, the number of mills levied
5 for local school district operating purposes to be used in the
6 calculation shall equal the number of mills for local school dis-
7 trict operating purposes levied in 1993 minus the number of mills
8 levied under the state education tax act, ~~Act No. 331 of the~~
9 ~~Public Acts of 1993, being sections 211.901 to 211.906 of the~~
10 ~~Michigan Compiled Laws~~ 1993 PA 331, MCL 211.901 TO 211.906, for
11 the year for which the disbursement is calculated.

12 (5) For specific taxes levied after 1993 and school operat-
13 ing purposes, the amount that would otherwise be disbursed to a
14 local school district shall be paid instead to the state treasury
15 and credited to the state school aid fund established by section
16 11 of article IX of the state constitution of 1963.

17 (6) THE PROCEEDS OF THE SPECIFIC TAX LEVIED UNDER
18 SUBSECTION (1) BEGINNING DECEMBER 31, 2001 THROUGH DECEMBER 31,
19 2006 SHALL BE DISTRIBUTED AS FOLLOWS:

20 (A) TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTAL UNITS THE
21 SAME AMOUNT THAT THEY WOULD HAVE BEEN ENTITLED TO RECEIVE IF THE
22 SPECIFIC TAX RATE WERE 1.1%.

23 (B) AFTER THE DISTRIBUTION UNDER SUBDIVISION (A) IS MADE,
24 THE REMAINING PROCEEDS SHALL BE DEPOSITED INTO THE STATE SCHOOL
25 AID FUND.