



Recommendations for Gas and Oil Taxation

Gas Resource Technical Advisory Committee (GTAC)

- Revenue's role in GTAC is to create recommendations on taxing gas and oil extraction
- Minnesota Statutes contain tax administration laws for iron, iron ore, and non-ferrous minerals (such as copper or nickel) but not for oil or gases like helium
- Revenue researched how gas and oil were taxed in nine states where helium has been found to create six recommendations

Mining Tax History

- Two common types of taxes collected on mining in Minnesota and nationally:
 - Income tax
 - Severance tax for removing natural resources from the earth
- Minnesota's mining taxes on non-ferrous minerals:
 - Occupation Tax, an income tax
 - Gross Proceeds Tax, a severance tax





Revenue's Recommendations

Recommendations are numbered DOR-1 through DOR-6

DOR-1: Incorporate Gas and Oil in Occupation Tax

- **Current Law:** Occupation Tax applies to all mining companies in Minnesota
- **Recommendation:** Create new statute definitions and modify existing definitions to incorporate gas and oil in Occupation Tax law
- **Why recommend this?**
 - The mining industry in Minnesota has had an Occupation Tax (in place of Corporate Income Tax) for many years
 - It promotes consistent application of the Occupation Tax across all types of mining companies in Minnesota

DOR-2: Incorporate Gas and Oil in Gross Proceeds Tax

- **Current Law:** Gross Proceeds Tax applies to all mining companies that mine non-ferrous minerals (such as copper or nickel) in Minnesota
- **Recommendation:** Create new statute definitions and modify existing definitions to incorporate gas and oil in Gross Proceeds Tax law
- **Why recommend this?**
 - Non-ferrous mining in Minnesota is subject to Gross Proceeds Tax (in place of Property Tax)
 - It promotes consistent application of the Gross Proceeds Tax across all types of non-ferrous mining companies in Minnesota

DOR-3: Allow Different Gross Proceeds Tax Rates

- **Current Law:** A tax rate of 0.4% applies to gross proceeds of all non-ferrous mining companies in Minnesota
- **Recommendation:** Modify the tax rate section for Gross Proceeds Tax to allow for different tax rates for different minerals, gases (including helium), and oils
- **Why recommend this?**
 - Different tax rates would allow for comparable effective tax rates to be applied to different types of gases, minerals, and oils
 - Helps ensure fair and consistent tax rates

DOR-4: New Sales Report for Gross Proceeds Tax

- **Current Law:** Taxpayers have an automatic seven-month extension to file annual Gross Proceeds Tax returns by Dec. 1, but the extension only allows Revenue two weeks to verify and distribute tax revenue by Dec. 15
- **Recommendation:** Create new language requiring mining companies to report sales information on an informational report by the normal return due date of May 1
- **Why recommend this?**
 - The new informational report due May 1 would allow Revenue time to correctly verify, calculate, and make distributions to different parties
 - Maintains the automatic seven-month extension for filing annual returns

DOR-5: Apply Existing Exemptions and Exclusions

- **Current Law:** Law provides exemptions and exclusions for non-ferrous mining companies subject to Gross Proceeds Tax
- **Recommendation:** Modify these exemptions and exclusions to include gas and oil producers subject to Gross Proceeds Tax
- **Why recommend this?**
 - All non-ferrous mining companies subject to Gross Proceeds Tax should be treated the same regardless of what they mine, including gas and oil

DOR-6: Legislature Establishes Gas and Oil Distribution

- **Current Law:** Law contains a method to distribute proceeds from non-ferrous metals and minerals
- **Recommendation:** Exclude gas and oil proceeds from the existing distribution method and create blank distribution placeholders for the Legislature to determine the distribution of gas and oil proceeds
- **Why recommend this?**
 - Distribution of proceeds is a policy decision, and this recommendation ensures policymakers establish a distribution formula they deem appropriate for gas and oil proceeds

Thank You

Want more information? See Revenue's section in GTAC's draft of working recommendations dated November 15, 2024.



MINNESOTA

Gas Resources Technical Advisory
Committee (GTAC)

Draft as of November 15, 2024

Working Recommendations and Statutory
Language for Permitting Gas Resource
Development Under a Temporary
Regulatory Framework