



**House
Legislative
Analysis
Section**

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IRON ORE MINING POWER PLANT

**House Bill 4775 as introduced
First Analysis (6-23-87)**

**Sponsor: Rep. Dominic Jacobetti
Committee: Taxation**

THE APPARENT PROBLEM:

State officials have been meeting with representatives of two Upper Peninsula iron ore mines to work on ways of dealing with the mines' financial difficulties and safeguarding the livelihoods of 2,000 people. One proposal that has been advanced, according to a treasury department spokesman, involves removing the power plant that provides power on a first use basis to the mines from the general property tax rolls (for this year only) and including it with the property on which the low grade iron ore specific tax is levied. (A specific tax on ore production is levied in lieu of ad valorem taxes.) This proposal, which may become part of a package of mine-related measures yet to be formulated, would provide valuable savings to the mines. It anticipates the state's making up the lost tax revenue to the local units.

THE CONTENT OF THE BILL:

The bill would amend the low grade iron ore specific tax act to include within the definition of "low grade iron ore mining property", for the 1987 tax year only, a power generating facility or a portion of the facility if it met the following conditions:

- 1) the facility or portion of the facility produced power that for 1987 is reserved for use by other low grade iron ore mining property before it is used for other purposes; and
- 2) the facility or portion is owned or controlled by a person or corporation that owns at least 15 percent of the other low grade iron ore mining property for which the power is reserved.

Under the bill, the owner of the facility would have 30 days after the effective date to certify the portion of the facility reserved for first use by the mining operation for 1987. Distribution calculations for the 1987 specific tax revenue would exclude the value of the power plant or the portion of the plant.

MCL 211.621 et al.

FISCAL IMPLICATIONS:

There is no detailed information at present. The treasury department has said that the bill would save two iron ore mines (Empire and Tilden) \$3.7 million and that the proposal anticipates the state's making up the revenue loss to the local units (the power plant is in the city of Marquette).

ARGUMENTS:

For:

The bill's aim is to help keep two Michigan iron ore mines open by treating a power plant that supplies them with power on a first use basis as if it was at the site of the mines and had the same ownership (in which case, it would be subject to the iron ore specific tax and not the property tax). The bill is part of a larger proposal that is being developed to deal with the Michigan mines.

POSITIONS:

There are no positions at present.

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