

SEVERANCE TAX ON METALLIFEROUS MINERALS

DESCRIPTION

The severance tax on metalliferous minerals (copper or other metals) is levied on the production or extraction from the earth of minerals. The tax rate is 5% and is applied to the weighted mineral value, the "Arizona value," or the difference between the gross value of production and production costs multiplied by 1.337. The mining companies may choose the valuation method that minimizes their tax payment.

TAX YIELD

<u>Fiscal Year</u>	<u>Net Collections</u>
1997-98	\$27,072,460
1998-99 Est.	\$18,731,417

DISTRIBUTION OF TAX ON METALLIFEROUS MINERALS

<u>Fiscal Year</u>	<u>State General Fund</u>	<u>Counties</u>	<u>Cities</u>
1997-98	\$12,884,325	\$8,773,643	\$5,414,492
1998-99 Est.	\$ 8,914,656	\$6,070,478	\$3,746,283

1999 TAX LAWS

Laws 1999, 1st Special Session, Chapter 5 made a series of tax cuts that are to be triggered only if sufficient excess revenue is collected in FY 1999. Conditional upon the collection of excess revenue, this bill would reduce the mining severance tax base to the difference between the gross value of production and the production costs multiplied by 1.337. Taxpayers are allowed to use either the new tax base or the current base, if the new base would result in a tax increase. On July 1, 2001 the new tax base will expire and only the current base will remain. (Effective November 1, 1999)

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