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COMPARISON OF PROPERTY TAXES (State, County, City & School), SALES TAXES (Severance, Production or Occupation), AND STATE INCOME TAXES (Corp. License or Franchise), PAID BY MINING INDUSTRIES OF ARIZONA, MONTANA, NEVADA, NEW MEXICO AND UTAH. Fiscal Years 1951, 1952, 1953 and 1954.

Compiled By Arizona Department of Mineral Resources
Source: State Tax Commission Reports

A comparative study has been made, by the Arizona Department of Mineral Resources, of the property taxes (state, county, city and school), sales taxes (severance, production, occupation), and state income taxes, paid by the mining industries of the five western copper mining states of Arizona, Montana, Nevada, New Mexico and Utah.

Based upon the value of the five principal metals produced by each state, the comparison of the taxes paid by the mining industries per $10,000 product value was found to be as follows:

	Property Taxes	Severance Taxes	Income Taxes	Total Taxes
Arizona	$ 445.23	$ 88.31	$ 88.11	$ 621.65
Montana	381.39	91.68	73.86	546.93
Nevada	237.90	None	None	237.90
New Mexico	309.90	69.35	104.41	483.16
Utah	444.12	97.43	45.86	587.41

This comparison was based upon the value of the states' metal products because the unit value of the products was the same in all five states, whereas the method of valuation of the mines themselves varies in each state. A high valuation automatically makes for a low tax-rate, and vice versa. Fair comparison of tax-rates per $100 assessed valuation, could not be made between the states where their methods of valuation are different. However, the actual amount of taxes paid by the mining industries, divided by the value of their products, results in a comparable rate. If one state's rate, so calculated, is higher than another's, it indicates the possibility that that state has placed too high a valuation upon its mining properties. The table shows that Arizona and Utah have abnormally high valuation methods as compared with the other three states.

As some states, having low property taxes, may utilize other sources of revenue to raise money for state, county, school and city purposes, a comparison of state sales and income taxes is shown together with property taxes. Here again, the mining industries of Arizona and Utah top the other states in contributing to the support of state and local government.

A digest of the mining tax laws of each of the five states is added to the comparative table which follows. This digest has been taken from A. B. Parsons' "Taxation of Mining Enterprise" compiled in June 1950 for the U. S. Bureau of Mines.

TABLE I

	Mining Property Taxable Valuation	Total Value of Metals * Produced by Mining Industry	Mining Property Taxes Paid (State, County, City School) ‡	State Severance (Production or Sales) Taxes Paid by Mining	State Income Taxes Paid by Mining	Total Property, Sales, Severance, Income Taxes Paid by Mining
ARIZONA:						
1951	$ 197,786,912	$ 235,289,045	$ 10,008,018	$ 2,142,033	$ 2,386,680	$ 14,536,731
1952	196,582,867	220,686,278	10,300,942	1,946,998	2,428,014	14,675,954
1953	180,236,488	242,572,489	10,886,284	2,112,185	1,138,024	14,136,493
1954	172,319,348	237,818,952	10,494,248	2,067,473	2,297,646	14,859,367
Total 4 Years	$ 746,925,615	$ 936,366,764	$ 41,689,492	$ 8,268,689	$ 8,250,364	$ 58,208,545
Per $100 Property Valuation			$5.581	$1.107	$1.105	$7.793
Per $10,000 Value of Product			$445.23	$88.31	$88.11	$621.65
MONTANA:						
1951	$ 21,482,880	$ 68,493,990	$ 2,264,081	$ 489,235	$ 435,320	$ 3,188,636
1952	26,945,766	65,806,575	2,784,306	649,136	456,233	3,889,675
1953	22,964,935	75,162,392	2,428,083	618,626	515,896	3,562,605
1954	24,332,079	57,756,621	2,714,973	692,889	566,287	3,974,149
Total 4 Years	$ 95,725,660	$ 267,219,578	$ 10,191,443	$ 2,449,886	$ 1,973,736	$ 14,615,065
Per $100 Property Valuation			$10.647	$2.559	$2.062	$15.268
Per $10,000 Value of Product			$381.39	$91.68	$73.86	$546.93
NEVADA:						
1951	$ 30,185,916	$ 41,280,596	$ 908,596	None	None	$ 908,596
1952	28,436,951	40,086,746	912,826	"	"	912,826
1953	32,394,135	42,177,725	1,036,612	"	"	1,036,612
1954	36,553,936	45,759,162	1,169,726	"	"	1,169,726
Total 4 Years	$ 127,570,938	$ 169,304,229	$ 4,027,760	"	"	$ 4,027,760
Per $100 Property Valuation			$3.157	"	"	$3.157
Per $10,000 Value of Product			$237.90	"	"	$237.90

TABLE I (continued)

	Mining Property Taxable Valuation	Total Value of Metals * Produced by Mining Industry	Mining Property Taxes Paid (State, County, City School) ⁑	State Severance (Production or Sales) Taxes Paid by Mining	State Income Taxes Paid by Mining	Total Property, Sales, Severance, Income Taxes Paid by Mining
NEW MEXICO:						
1951	$ 43,601,873	$ 54,697,048	$ 1,205,681	$ 356,759	$ 384,012	$ 1,946,452
1952	50,616,305	56,559,692	1,341,332	379,411	410,763	2,131,506
1953	59,850,665	45,725,959	1,645,893	320,218	627,194	2,593,305
1954	63,267,322	36,196,189	1,784,138	283,213	594,956	2,662,307
Total 4 Years	$217,336,165	$193,178,888	$ 5,977,044	$1,339,601	$2,016,925	$ 9,333,570
Per $100 Property Valuation			$ 2.750	$ 0.617	$ .928	$ 4.295
Per $10,000 Value of Product			$ 309.40	$ 69.35	$ 104.41	$ 483.16
UTAH:						
1951	$181,722,080	$182,897,139	$ 7,428,919	$1,422,134	$ 823,071	$ 9,674,124
1952	200,286,886	185,780,497	6,905,686	1,731,757	921,015	9,558,458
1953	248,044,848	195,289,033	8,589,172	1,844,481	787,156	11,220,809
1954	277,534,618	164,367,236	9,422,862	2,097,689	809,303	12,329,854
Total 4 Years	$907,588,432	$728,333,905	$32,346,639	$7,096,061	$3,340,545	$42,783,245
Per $100 Property Valuation			$ 3.564	$ 0.782	$ .368	$ 4.714
Per $10,000 Value of Product			$ 444.12	$ 97.43	$ 45.86	$ 587.41

* Copper, Lead, Zinc, Gold and Silver.

⁑ Based on the average property tax-rate paid for total State, County, City and School Taxes.

DISTRIBUTION OF PROPERTY TAX-RATE

	State	County	Schools	City	Total
Arizona	.91	.91	3.16	.60	5.581
Montana	.78	3.52	4.65	1.69	10.647
Nevada	-	-	-	-	3.157
New Mexico	.59	.58	1.19	.39	2.750
Utah	-	.71	2.18	.67	3.564

EXCERPTS FROM

"TAXATION OF MINING ENTERPRISE

Federal, State and Local

A REPORT TO THE BUREAU OF MINES"

By

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DIGEST OF ARIZONA TAXES

Mining enterprise in Arizona is subject to the following taxes:

1. Property
2. Income
3. Sales (Severance)

1. Property Tax - Theoretically the assessed valuation of a mining property is determined by computing the present worth of the expected annual profits over the estimated life of the property by the so-called "Hoskold" method; and this method has been approved by the courts. In recent years, however, the method actually in use has been "negotiation" between the taxpayer and the State Tax Commission that has the responsibility of assessing producing mining enterprises. The Commission certifies the valuations to the county assessors.

The mine plant and reduction works (if any) are appraised by the county assessor; but in practice the overall valuation made by the State Commission is reduced by the amount of the valuation put upon the plant; so that the actual assessed valuation of the enterprise is in reality determined by the Commission.

By "common consent" (rather than by law) a property that produces in any year a gross metal value of less than $50,000 is exempt from a property tax except for its plant and a nominal tax on the surface.

Arizona law calls for assessment at "full and true" value; but the assessment ratios in different localities and for different classes of property range from 15 to 60 percent. With respect to mining property the final assessed valuation, in the opinion of the Commission, is probably something less than 50 percent of the valuation that would be determined by applying the "Hoskold" method to estimated future profits.

Mill-rates in the state vary tremendously. In some urban areas they are as much as 120 mills; and some sparsely settled areas as low as 2.8 mills. A typical rate applicable to mining property would be 27 mills.

2. Income Tax - In computing "net" income as the measure, the following deductions from gross income are permitted: a. Depreciation; b. Depletion, on a cost but not on a percentage basis; c. Federal Income tax; d. Cost of exploration and development on contiguous lands. The tax is applicable to all corporations and the rates are progressive as follows:

First	\$1,000	1 percent
Next	\$1,000	2 percent
Next	\$1,000	$2\frac{1}{2}$ percent
Next	\$1,000	3 percent
Next	\$1,000	$3\frac{1}{2}$ percent
Next	\$1,000	$4\frac{1}{2}$ percent
All over	\$7,000	5 percent

3. Sales (Severance) Tax - The measure for this tax is the statutory gross sales value of ore, concentrate, or metal "at the time it enters interstate commerce". A company that mined, concentrated, smelted and refined in the State of Arizona would be taxed on the sales value of metals produced with deductions allowed for the cost of transportation of ore or concentrate to the smelter and refinery and of finished metal to the place of sale.

On the other hand, a mining company shipping and selling ore or concentrate to a custom smelter would be taxed on the "net smelter return". In effect, he would deduct from the sales value of the recoverable metals in his shipment all costs for transportation, smelting, refining, and marketing. If the smelting and/or refining were done in Arizona, an additional appropriate sales tax on that particular "mine product" would be paid by the smelting and refining company, although that company would take the tax into account in its smelting charge or some other item of its "settlement sheet" with the miner.

The uniform rate is 1 percent.

Although the tax is administered by the State Tax Commission, nearly half of the revenue is returned to county and local governments."

DIGEST OF MONTANA TAXES

Mining enterprise in Montana is subject to the following taxes:

1. General Property
2. Metal-Mine License (Severance)
3. Corporation License (based on income)

1. General Property Tax - The assessed valuation consists of two elements as follows:

A. In lieu of an appraised valuation of the ore in the ground the statutory "net proceeds" from operations during the preceding year are used. The "net" is determined by making prescribed deductions from the gross proceeds of the sale of metal or mineral produced. Deductions include (1) the direct cost of mining, development, reduction and marketing; (2) cost of repairs and replacements; (3) depreciation, at 6 percent of the assessed value of mining and reduction plant; (4) that part of general expense directly connected with production; and (5) "social security" levies. Depletion and taxes are not deductible. A detailed return is made by the taxpayer to the State Board of Equalization, and the Board computes and certifies the assessment to the county assessor.

B. 30 percent of the reasonable depreciated value of plant and works, including machinery. Montana is one of the few states that by statute classify property for tax purposes, and fix corresponding assessment rates of "full and true" value. For example, net proceeds of mines, 100 percent; livestock, 33-1/3 percent; rural and urban real estate and manufacturing and mining machinery, 30 percent; and household goods and agricultural tools and equipment, 20 percent.

The assessed valuation for a mining property would be the sum of full "net proceeds" and 30 percent of the estimated value of plant and improvements.

The mill-rate for the locality where the property is situated, consisting of county, school, and municipal levies, would apply. Levies are relatively high, a typical rate for Silver Bow County, outside the City of Butte, being 65 mills.

2. Metal-Mine License (Severance) Tax - The measure for the tax is the gross value of recoverable metal. It is determined by using the published E. & M. J. average prices for metals and reducing them by arbitrary "differentials" to give so-called Montana prices. For example, the schedule for 1948 production (1949 tax) showed: copper, 22.038 c. less 2.50 c. = 19.538 c.; lead, 18.043 c. less 1.50c.= 16.543 c.; and zinc, 13.939 c. less 1.0 c. = 12.939 c.

The rates are progressive as follows:

First	$100,000	Free
Next	$100,000	1/4 of 1 percent
Next	$100,000	1/2 of 1 percent
Next	$100,000	3/4 of 1 percent
Above	$500,000	1 percent

The tax is administered by the State Board of Equalization, and proceeds go to the General Fund of the State.

3. Corporation License Tax - The measure for this tax is the statutory net income computed with the usual allowances, including percentage depletion. The uniform rate is 3 percent. Of the revenue, 75 percent goes to the State General Fund and 25 percent to the School Equalization Fund.

DIGEST OF NEVADA TAXES

Mining enterprise in Nevada is subject to one tax: the Property tax.

1. Property Tax - The statutory "net proceeds" is used as that part of the measure represented by the ore deposit itself. The following deductions from the gross proceeds from the operation are allowed to compute the net:

a. The direct cost of mining and milling.
b. The cost of smelting, shipping, refining, and marketing.
c. Depreciation - not to exceed 10 percent of the assessed value of mine-plant and reduction works.

d. Maintenance and repairs; but not new plant construction.
e. That portion of administrative and overhead expense incurred in Nevada.
f. Cost of mine development.
g. Royalties (if any); and Social Security assessments.

No allowance is permitted for depletion nor for Federal income taxes.

The use of net proceeds as a measure for the property tax is provided in the State Constitution. The taxpayer makes a return to the Nevada State Tax Commission setting forth details of operations; and the commission determines the valuation and certifies it to the assessor in the county in which the property is located, on the basis of 100 percent of net proceeds. Where shipment is made to a custom smelter, the "net smelter return" might be used as the basis for the calculation; but in that event the deductions listed under 1-b would be made by the smelting company in its settlement sheet.

Mine plant and reduction works (if any) are appraised by the County Assessor. The Nevada State Law provides valuation of real and tangible personal property at "full cash value". However, in practice, ratios ranging from 15 to 40 percent are used for property in all classes, including mine plant. A typical assessment for a producing mine would be 20 percent of the depreciated book-value of plant and works.

The mill rate for the locality in which the property is situated is applied to the sum of the full net proceeds and the "adjusted" valuation of the plant. The range of rates in mining areas is from 25 to 40 mills depending on the needs of the community and the valuation of the assessable property, including mines. A typical rate would be 27 mills.

The property tax partakes of the nature of an income tax by virtue of the fact that, with respect to the ore deposit, the net proceeds are used as the measure of assessment.

DIGEST OF NEW MEXICO TAXES

Mining enterprises in New Mexico is subject to these taxes:

1. Property
2. Income
3. Franchise
4. Severance
5. Sales or Privilege

1. Property Tax - Alternative methods are provided for the appraisal of a "productive" mine. In past years a computation of the present worth of estimated future profits over the life of the property by the so-called "Hoskold" method was in vogue, at least nominally. However, the actual procedure at the present time is to use the statutory net proceeds from the operation, averaged over the preceding five years, to represent the value of the ore deposit. The taxpayer may, however, elect to use the proceeds for the single year immediately preceding, instead of the five-year average. Net proceeds are computed by deducting from the market value of the products the following: Cost of mining, milling, treating, transporting, and selling. When ores or concentrates are shipped to a custom smelter, the "net smelter return" can be used, with appropriate deductions for the actual cost of mining and milling. Overhead expenses, other than those directly connected with production, cannot be deducted, nor can the cost of new plant, equipment, and machinery. The assessed value to be put on the roll as representing the ore deposit is 100 percent of the net proceeds thus determined. The assessment is made by the State Tax Commission and is certified by it to the local assessors.

When the net proceeds method is used for the ore deposit, mine plant and reduction works are appraised separately at approximately the depreciated book value as shown on the balance sheet.

New Mexico law provides for assessment at "actual market value"; but in practice, ratios ranging as low as 20 percent are used to determine the final assessed valuation of property in general. For mine plant and improvements, a factor of 50 percent would be typical; and the amount would be added to the 100 percent of net proceeds to obtain the total assessment for the property.

To the foregoing assessment, the mill-rate applicable to the locality where the property is situated would be applied. These rates vary; but a typical rate for Grant County (outside municipalities) would be 20 mills. The major portion of the proceeds go to the county and school districts although a small levy for State purposes is also included.

2. Income Tax - The measure for the income tax is essentially the same as that for the Federal income tax. Percentage depletion is allowed as in the Federal tax; and the Federal income tax itself is deductible. The tax applies to all corporations; and the rate is uniform at 2 percent.

3. Corporation Franchise Tax - The measure for the franchise tax is the paid-in capital; and the uniform rate is $1.00 per thousand.

4. Severance Tax - In 1949 the legislature amended the Severance Tax law which now reads in part:

> "Gross value is defined as being the sales value of the severed and saved product at the first marketable point. For such products as have a posted field or market price at the point of production, the value to be reported shall be its field or market price without any deductions except those expenses for hoisting, crushing and loading necessary to place the severed product in marketable form and at a marketable place. For such products as must be processed or beneficiated before sale, the value to be reported shall be the proceeds from the first sale after deducting freight charges subsequent to severance to the point of first sale and the cost of processing and beneficiation.
>
> "The taxpayer hereby is granted an exemption from Taxation of Two Hundred Thousand Dollars ($200,000.00) annually, which shall be deducted from the gross value as herein defined before computing the tax."

The rate on potash, oil, and natural gas is 2.5 percent; on copper, 0.5 percent; and on other natural resources (including other metals) 0.125 percent. The greater part of the proceeds of the tax will go into a "Severance Tax Permanent Fund", the interest on which after 25 years will be "used solely for the purposes of replacement of taxes from depleted natural resources; research to discover new supplies of present natural resources; and the erection of new public school buildings"

5. Sales and Privilege Tax - The measure for this tax is the gross receipts from the sale of mine product; and, in respect to metalliferous ores and concentrates sold to a custom smelter, the "net smelter return" is used. The uniform rate is 0.5 percent. Obviously this tax based on gross receipts is essentially a second severance tax. It is generally referred to as the Emergency School Tax.

DIGEST OF UTAH TAXES

Mining enterprise in Utah is subject to the following taxes:

1. Property
2. Corporation Franchise (Income)
3. Occupation (Severance)

1. Property Tax - The assessed valuation of a mining property has two elements, as follows:

A. For the ore deposit the valuation is twice the average annual net proceeds realized during the three years immediately preceding the year of tax. In determining net proceeds the direct cost of production is deducted from the gross proceeds. Depreciation, depletion, and Federal taxes are not deductible; but taxes paid in Utah and the cost of new machinery andimprovements may be deducted. The reason for using a three-year average is to minimize instability of revenues that would result from fluctuations in income from year to year. The taxpayer makes a detailed return to the State Tax Commission; and the Commission computes and certifies the assessment to the County Treasurer for collection.

B. The County Assessor appraises the plant and improvements at their fair cash value, and the land at $5 per acre. He then applies an assessment ratio of 40 percent, a ratio established by law in 1946 to apply to all real and tangible personal property. The statute reads 40 percent of its "reasonable fair cash value". In practice the State Tax Commission has given major assistance to the Assessors in the difficult task of appraising plant and works.

The final assessed value is the sum of twice the net proceeds plus 40 percent of the "fair" value of the land and plant. Mill-rates vary; but a typical rate for an important mining district is 35 mills, including county, school, municipality, and a small State levy.

Note: Formerly the measure for the property tax was three times net proceeds instead of twice. This rate was reduced contemporaneously with the establishment of the Occupation Tax (See 3, below). One of the reasons for the revised procedure was to divert revenue from the counties in which large and productive mines are situated to the General State Fund.

2. Corporation Franchise (Income) Tax - the measure of this tax is gross income with the following deductions:

a. Actual cost of operations
b. Taxes other than the State Franchise Tax
c. Depreciation
d. Depletion; if percentage depletion is elected, it is limited to 33-1/3 percent of net profit.

The rate is a uniform 3 percent; and the revenue is allocated to the State's General Fund.

The corporation franchise tax law was adopted in 1931. No changes in rates have been made since, and no changes affecting income or deductions have been made since 1937. The corporation franchise tax is a tax for the privilege of doing business as a corporation in Utah. Since the tax is for a privilege, revenue is derived even if the corporation does not choose to exercise its franchise. The tax is a prepayment for the privilege of doing business during the coming year. The most common measure of the tax is the income for the taxable year covered by the return. If there has been a loss, or if the income has been relatively low, the tax is measured by the amount of tangible property within the state. There is a minimum tax in either event.

3. Occupation (Severance Tax) - The basis of the Occupation tax (actually a severance tax, though not so recognized in the law) is the gross sales value of ore or concentrates at the point of production. The measure consequently is the "net smelter return", or the equivalent of such return if a company smelts its own ores. From the gross sales value, the cost of the following therefore can be deducted: All transportation (from mine or mill to the eventual place of marketing the refined metal) sampling, smelting, refining, and marketing.

A fixed exemption of $50,000 is provided, the purpose being to give special consideration to "small" enterprises. The rate is uniform at 1 per cent.