

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

February 19, 1985

The twenty-ninth meeting of the Taxation Committee was called to order by Chairman Gerry Devlin in room 312-1 of the state capitol building at 8:05 a.m.

ROLL CALL: All members were present with the exception of Representative Iverson. Also present were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE BILL 719: Representative Schye, District 18, stated that this bill deals with taxation of migratory aircraft coming in and out of the state and they are having some complications with the bill and would request that the committee TABLE this bill.

PROPOSERS: There were none.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 719: There were none.

Representative Schye closed and the hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 652: Representative Switzer, District 28, said this was a bill to allow the deduction of certain costs from the net proceeds tax on mines applicable to nonmetallic mines and mining claims. He passed out to the committee amendments to this bill. See Exhibit 1.

PROPOSERS: Gary Langley, Executive Director of the Montana Mining Association, stated that this was not, in any way, a tax break, but was simply an attempt to clarify the law and to avoid any future litigation.

Earl Lovick, representing W. R. Grace, who has a vermiculite mine in Libby, stated that this bill is an attempt to clarify deductions for mine reclamation and administrative costs and they feel that all administrative costs should be allowed for a deduction.

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George Bennett, representing the W. R. Grace Company, gave a statement in support of this bill. See Exhibit 2.

Ward Shanahan, representing Kaiser Cement and the United States Gypsum Company, said that there has been a battle going on for many years concerning the deductions that are allowed by the Department of Revenue. See Exhibit 3.

There were no further proponents.

OPPONENTS: John LaFaver, Director of the Department of Revenue, informed the committee that this would take \$1½ million out of the tax base and would weaken the entire basis of their net proceeds tax and would allow a whole array of ill-defined administrative costs. He claimed that this corporation is making money right now and is an extremely profitable corporation and in 1983, their federal tax bill had gone down \$12½ million and their investment had fallen by nearly one-half, so the theory of cutting taxes to increase investment and to increase jobs doesn't work either.

There were no further opponents.

QUESTIONS ON HOUSE BILL 652: Representative Cohen asked what product it was that W. R. Grace mined.

Mr. Bennet responded that it was vermiculite.

Representative Cohen asked where else do they mine vermiculite in Montana.

Mr. Bennet replied that he did not know if there were any other major producers.

Representative Cohen asked where else do they mine vermiculite in the United States.

Mr. Bennett responded "In South Carolina."

Mr. Lovick explained that the principle source of vermiculite is at Libby and that is the largest known deposit in the world and the W. R. Grace Company also has a vermiculite mine in South Carolina and there are some small independent producers that also produce and mine vermiculite in South and North Carolina. He commented that there are also some small mines in Virginia.

Representative Cohen asked if he thought W. R. Grace had a monopoly in the mining of vermiculite in this country.

Mr. Lovick responded, "Not entirely - they have a large advantage." He explained that better than 90% of the vermiculite that is mined in the United States is mined by W. R. Grace; they have competition in the vermiculite business because of imports from South Africa and that competition is principally in the east coast and the gulf ports because of transportation problems.

Representative Sands asked how do the taxes in the Carolinas and Virginia compare with Montana.

Mr. Lovick replied that they are considerably less - there is no net proceeds tax in South Carolina; the property taxes are very low and they also have a tax advantage in being allowed depletion. He informed the committee that in Montana, their taxes are about \$8.50 a ton and in South Carolina, they are much less than that.

Representative Gilbert asked Mr. Lovick to respond to the statement by Mr. LaFaver that his company wanted to deduct some cafeteria costs in Massachusetts.

Mr. Lovick answered that in the return they filed, there were some costs allocated from their division headquarters, which is located in Cambridge, Massachusetts, and included in those costs, there was a small amount there for maintaining a cafeteria in the division headquarters.

Representative Raney asked if they were asking for an extension of the existing law.

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Mr. Lovick responded that their position is that the law says for all necessary labor, and it is their feeling that necessary labor includes administrative costs and it is not possible to run a business without incurring those costs.

Representative Raney asked if those administrative costs could be 1,000 miles away.

Mr. Lovick answered, "In some cases, yes."

Representative Ellison noticed on the fiscal note that it says it will reduce the taxable value by 25% on the average and he asked if he agreed with that figure.

Mr. Lovick replied that so far, in their particular area, they have had no costs for reclamation because all the area continues to be mined. He claimed that the Department of Revenue has taken the position that unless something is specified in the law, it is not deductible and down the road in the near future, they will be incurring some reclamation costs. He concluded that, as far as the figure of 25%, their administrative costs fall far under that figure.

Representative Ellison asked Mr. LaFaver where he got the 25% in the fiscal note.

Mr. LaFaver answered that this would reduce the taxable value by 25% and that is not 1/4 of the entire proceeds of the mine. He explained that in looking at the tax return that the corporation has filed, the net proceeds is \$2.4 million and what they have appealed is nearly \$600,000.00 and that comes out at 1/4. He indicated that they do not have any objection to reclamation and they feel that reclamation costs are a part of the costs necessary to bring the mineral out.

Representative Ellison noted that the fiscal note said, "Local government revenues would be reduced by approximately \$333,712 in FY 88 and Lincoln County would lose

approximately 60% of this revenue." He asked if this was an actual reduction in the taxes - he assumed they have been paying their taxes under protest. He also asked how long have these taxes been under protest.

Mr. LaFaver responded that they protest them every year but he was not sure what the oldest one was.

Mr. Lovick answered that they have never paid their taxes under protest, but what is in question is some deductions under litigation and he would like the committee to understand that in this current year - the November payment and the May 31st payment - they have paid in Lincoln County over \$1 million and they have paid over \$500,000.00 in net proceeds tax in November. He explained that their tax bill is 30% of the taxable value of their school district and the statement that they are not paying their taxes is false.

Chairman Devlin asked Mr. LaFaver to comment on this.

Mr. LaFaver explained that the amount that they are litigating has not been paid - that is the initial information he received - and when they resolve this suit and the suit is settled, assuming that the state will win, there will be an increase in revenue coming from W. R. Grace to Lincoln County.

Chairman Devlin said that they were led to believe that they protested all of their taxes and he asked how much was under protest.

Mr. LaFaver responded that it was \$800,000.00 in taxes for three years.

Representative Ellison asked what percentage do they pay under protest.

Mr. LaFaver answered that they do not pay them under protest - they do not pay them at all and when the litigation is settled, if the state is right, they will have to pay \$800,000.00.

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There were no further questions.

Representative Switzer stated that the department opposes this just as strongly as they did last session, but he did not think their case is any stronger. He continued that he did not imagine the cafeteria in Massachusetts amounted to a great deal and he felt that if he was in the position of the mining companies, he would not settle until he thought he had received fair treatment.

The hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL 719: Representative Williams moved that this bill be TABLED. The motion carried unanimously.

DISPOSITION OF HOUSE BILL 704: Representative Ellison moved DO PASS. He then moved the amendments to change "second" to "first". The motion carried unanimously.

Representative Cohen said that Representative Marks was going to get back to the committee on the last paragraph.

Representative Raney indicated that he (Marks) was also going to bring in the certification of mill levy amendments and there was also a question as to whether the bill was constitutional.

Representative Ellison withdrew his motion.

DISPOSITION OF ALCOHOL AS COMPONENT OF GASOHOL BILLS:  
Chairman Devlin indicated that they would consider HB 311, HB 677 and HB 548.

DISPOSITION OF HOUSE BILL 548: Representative Koehnke moved DO PASS.

Representative Williams said that he has difficulty with these alcohol bills - he does not think the state of Montana can continue to subsidize an industry just to keep

them in business. He continued that at first they were subsidizing gasohol and now they are subsidizing livestock feed and he contended that if an industry can not stand on its own two feet, he does not think it is an asset to the state of Montana.

Representative Switzer contended that livestock feed has proved to be much better than they thought and it is emphasized because it is an addition.

Representative Gilbert indicated that if you follow the automotive industry, the manufacturers do not recommend the alcohol because the alcohol eats up the plastic in the carburetors so it is becoming no longer a viable source of fuel. He continued that if you look at these three bills together, there is a pretty hard fiscal impact - if you take the projections they are talking about, the millions of gallons that they intend to produce, they are not talking \$2 to \$8 million, they are talking \$30 to \$40 million impact that the state of Montana just cannot afford.

Representative Asay explained that his hangup comes in the exporting of this alcohol; he felt at a certain level, maybe they can afford to extend help with technology, but when you go to the point of subsidizing exports, this is a pretty difficult thing for him to understand. He said that they need the markets for agriculture products, but if they are building it on another subsidized basis, it would not stand up. He concluded that he would support it at the existing level, but going beyond it, he just did not know.

Representative Ellison commented that the bottom line is that they just are not going to be able to do it and he could not vote for these bills and vote against the other tax reduction bills for agriculture and he thought the impact was just going to be too big.

Representative Sands informed the committee that he talked to one of the gentlemen that had a plant and he had a 220,000 gallon plant and the state subsidy on that plant would be \$154,000.00 a year. He indicated

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that the plant employs six people and he had seventeen people who supplied feed and he felt that was a pretty big subsidy for such a small operation.

Chairman Devlin said that when they talk about fiscal impact, they have to keep in mind that the highway is not getting it now and this actually would be a status quo.

Chairman Devlin explained that in the existing law, if they do nothing, beginning in April, 1985, they will be getting 50 cents and in 1986, that would drop to 30 cents and that would run clear to 1989, so by doing absolutely nothing on these, they still get the subsidy clear to 1989.

Representative Williams made a substitute motion that they TABLE HB 548. The motion carried with Representative Switzer, Representative Koehnke and Representative Zabrocki voting no.

DISPOSITION OF HOUSE BILL 311: Representative Koehnke moved that they TABLE this bill. The motion carried unanimously.

DISPOSITION OF HOUSE BILL 677: Dave Bohyer explained that the purpose of the fiscal note is just to show fiscal impact but a revenue bill just increases or decreases tax collections. He said that this was just an entitlement program and without this bill the 50 cents-per-gallon would last just one year and with this bill, it would continue it on into perpetuity.

Representative Gilbert moved that this bill be TABLED. The motion carried with Representatives Switzer and Patterson voting no.

DISPOSITION OF HOUSE BILL 652: Representative Switzer moved DO PASS. He said that he felt that these are legitimate business expenses and the cap gives a little protection and the county commissioners are in favor of it.



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Representative Gilbert said that they heard John LaFaver tell them that the company is doing the state out of their tax money and he indicated that they have to remember that a tax is not a tax until it is proven a tax and the Department of Revenue is going under the assumption that this is owed them.

Representative Koehnke wondered how come the commissioners would go along with this if they did not feel it was legitimate.

Representative Cohen responded that that is hearsay and that his heart goes out to the W. R. Grace Company as they have control of the whole North American market and the state is just asking them to pay their fair share.

Representative Ellison asked what stage is this litigation in.

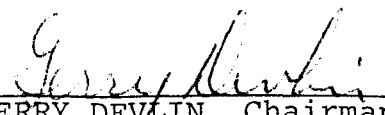
Mr. Bohyer replied that this went directly to district court and it is his understanding that that is where it is now.


Representative Switzer said that they do not have the local information they should probably have and he would run that information down.

Representative Harp moved the amendments that had been proposed. See Exhibit 1. The motion carried with Representatives Williams, Zabrocki, Sands, Ream, Raney and Keenan voting no.

Representative Switzer withdrew his DO PASS motion and said he would bring in some further information.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:41 a.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary

lands by this method is to determine the value per acre, the factor representing the per unit net income must be multiplied by the per acre yield to arrive at a per acre net income. All of these arithmetical gymnastics can again be stated fairly simply algebraically:

$$I = (P - C)U$$

These terms are described in House Bill 168, where I is the net income per acre, P is the per unit commodity price, C is the per unit production cost, and U is the yield in units per acre.

The second variable in the basic CNI equation is the factor R, the capitalization rate. In House Bill 168, R is comprised of two factors: an average interest rate, and an effective tax rate. The bill requires the interest factor to be the annual average interest rate on agricultural loans as reported by the Federal Land Bank Association of Spokane, Washington. The bill further requires the Department of Revenue to determine the effective tax rate by dividing the total estimated tax due on agricultural land by the total productive capacity value of the land.

Once all of the variables are known, simple substitution into the various equations results in the capitalized net income value of the property.

House Bill 168 requires the Department of Revenue to base the value of agricultural lands on the 3-year average CNI values. Consequently, the Department will have to compile data over such a period, calculate separate CNI values for each of the years, and average the three separate CNI values for each type of agricultural land, i.e. irrigated, grazing, nonirrigated, etc.

The following example should help to illustrate the application of House Bill 168.

GENERAL ASSUMPTIONS USED IN THE ILLUSTRATION

1. The land being valued is nonirrigated farm land.
2. The commodity being produced is wheat.
- 2.a. Nonirrigated wheat produced one crop every other year.
3. Production on the land has historically averaged 24 bushels per acre; expectation is continued production at the same level.
4. Production costs, commodity prices, interest rates, and taxes will vary each year over the period.
5. Total number of acres statewide remains constant.
6. Total productive capacity value of all agricultural lands statewide remains constant.
7. Taxable percentage applicable to agricultural lands is 30%.

YEAR 1

Assumptions

1. Commodity price of \$3.27 per bushel.
2. Production costs of \$2.75 per bushel.
3. FLB interest rate of 9.55%.
4. Average taxes levied statewide of 190 mills.

$$\begin{aligned} V &= I/R \\ &= [(3.27 - 2.91)(24)] / [0.0955 + (0.190 \times 0.30)] \\ &= (.52)(24) / (0.0955 + 0.0570) \\ &= 12.48 / 0.1525 \\ &= \$81.84, \text{ but accounting for rotation, must divide} \\ &\quad \text{by 2} \\ &= \$40.92 \end{aligned}$$

## YEAR 2

### Assumptions

1. Commodity price of \$3.44 per bushel.
2. Production costs of \$2.98 per bushel.
3. FLB interest rate of 9.47%.
4. Average taxes levied statewide of 193 mills.

$$\begin{aligned} V &= I/R \\ &= [(3.44 - 2.85)(24)]/[0.0947 + (0.193 \times 0.30)] \\ &= (.59)(24)/(0.0947 + 0.0579) \\ &= 14.16/.1526 \\ &= \$92.79, \text{ but accounting for rotation, must divide} \\ &\quad \text{by 2} \\ &= \$46.40 \end{aligned}$$

## YEAR 3

### Assumptions

1. Commodity price of \$3.21 per bushel.
2. Production costs of \$3.05 per bushel.
3. FLB interest rate of 8.50%.
4. Average taxes levied statewide of 202 mills.

$$\begin{aligned} V &= I/R \\ &= [(3.21 - 2.95)(24)]/[0.0850 + (0.202 \times 0.30)] \\ &= (.26)(24)/(0.0850 + 0.0606) \\ &= 6.24/.1456 \\ &= \$42.86, \text{ but accounting for rotation, must divide} \\ &\quad \text{by 2} \\ &= \$21.43 \end{aligned}$$

3-YEAR AVERAGE VALUE OF 24 BUSHEL-PER-ACRE DRYLAND PRODUCING  
WHEAT =

$$\frac{(\text{Year 1 value} + \text{Year 2 value} + \text{Year 3 value})}{3}$$

3

$$\frac{\$40.92 + \$46.40 + \$21.43}{3}$$

3

$$\frac{\$108.75}{3} = \$36.25$$

3

Based on the above example, 24 bushel dryland producing wheat would be valued at \$36.25 per acre. If one were to make one last assumption, i.e. that the number of mill levied in a given year and jurisdiction was 205 mills, the property tax paid on the land would amount to \$2.23, (determined by simply substituting for the variables in the basic tax formula:  $(36.25)(.30)(.205)$ .)

It is very important to remember that the example illustrated in this summary is based on hypothetical numbers, assumptions that were simply picked out of thin air. Should any of the variables considered in the equation change significantly, the resultant value would change similarly.

STATE OF MONTANA  
BRANDS-ENFORCEMENT DIVISION  
DEPARTMENT OF LIVESTOCK  
HELENA, MONTANA

CATTLE INSPECTED AT MARKETS  
CALENDAR YEARS 1983 - 1984 AND COMPARISON

	1983	1984	INCREASE	DECREASE
Baker	11,201	5,462		5,739
Baker (North Dakota)	1,050	73		977
Baker (South Dakota)	149	77		72
Billings BLS (Montana)	81,100	96,072	14,972	
Billings BLS (Wyoming)	3,033	3,953	920	
Billings PAY (Montana)	165,025	201,384	36,359	
Billings PAY (Wyoming)	11,487	9,230		2,257
Bozeman	27,972	33,308	5,336	
Butte	107,531	113,440	5,909	
Chinook	21,312	25,903	4,591	
Dillon	33,351	31,382		1,969
Glasgow	57,797	62,160	4,363	
Glendive	20,303	21,788	1,485	
Glendive (North Dakota)	--	150	150	
Great Falls GFL	34,063	62,735	28,672	
Great Falls WLA	81,255	81,889	634	
Kalispell	26,356	28,090	1,734	
Lewistown	41,170	43,181	2,011	
Miles City	38,868	42,039	3,171	
Missoula	38,787	41,181	2,394	
Shelby	7,522	12,115	4,593	
Sidney	49,972	59,869	9,897	
Sidney (North Dakota)	<u>12,252</u>	<u>14,449</u>	<u>2,196</u>	
TOTAL	871,557	989,930	129,387	11,014

INCREASE OVER 1983-----118,373

HORSES INSPECTED AT MARKETS

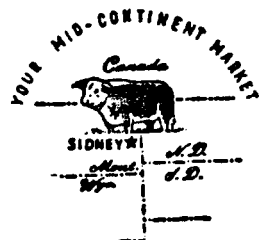
TOTAL	14,786	15,696	971
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INCREASE OVER 1983-----971

# Sidney Livestock Market Center

"YELLOWSTONE LIVESTOCK CO."

Loran Casey — Dan Price — Marty Casey



DIAL 482-3513

SIDNEY, MONTANA

BOX 511

January 15, 1985

George H. Stensland  
Box 3144  
Wolf Point, MT 59201

Dear George,

The number of cattle through here in 1984 was 20% more than the previous two years. I am sure most of this was due to drought conditions, both summer grass and winter feed. There were a couple of cases of cow dispersion because of lending agency pressure. I really think that the cow numbers in eastern Montana are down 30-35% compared to 1980 or 1981.

This may not help any argument for lowering of taxes on livestock because of the decrease in taxable income. But a lowering of taxes may keep some people in the livestock business.

Really the hog and sheep numbers going through the ring has been quite constant for a number of years. Seems strange, but most of the sheep herds are small and the hog business, outside of a few confinements, are also small.

Hope this information is helpful to you, George. Good Luck.

Sincerely,

*Loran Casey*  
Loran Casey

LC:am



Livestock Marketing Association

GLASGOW LIVESTOCK SALES CO.  
BOX 329  
GLASGOW, MT 59230  
BOB FJELDHEIM, MANAGER

January 28, 1984

George Stensland  
Box 3144  
Wolf Point, MT 59201

Dear Mr. Stensland:

Having received your letter dated January 13, I will attempt to give you the requested information as I see it.

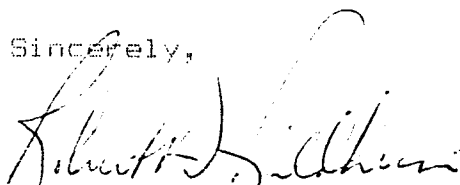
The year ending December 31 will be ranked as the third largest volume year since our business incorporated in 1953. Head count volume was 61487 the past year compared to 62348 in 1976 and 69569 in 1975. Each of these record years were liquidation periods due to financial pressure or drought or the combination of the two.

Following the records years of 1975 and 1976 was a period of very low numbers which were average or less in relation to the business history dating back to 1953. We anticipate the same situation developing for the next two years. Our projection for 1985 will be a volume decrease of 35 percent or 40000 total head. We feel it would be possible to hold volume at a 20 percent reduction with increased effort placed on securing consignments, but the expense involved would not warrant the additional numbers.

It has been our opinion that 1985 will be the year that determines the success of this business for the long term. Several steps have been taken over the past two years to streamline our operation to hold down the expense during the 1985 - 1986 slow period and keep our operation at least at breakeven until the numbers once again increase to profitable levels. We have achieved these objectives and feel good about our preparations for the coming year.

As the overall industry is concerned if doesn't seem to get any better from year to year. We believe there are better times to come provided the industry can become positive in action, promote the beef industry aggressively, and intelligently pass on to the consumer the positive aspects of the product. Since 1973 the beef industry has been very negative and this has produced negative results. When the attitude of the industry turns around and the problems facing the industry are approached positively, the returns will again become profitable.

Sincerely,





Mr. Chairman, Ladies and Gentlemen of the Committee,  
For the Record, my name is Dorothy Cody and I am the  
Representative of House District #20.

You have before you an amended copy of House Bill 64.  
Although it is lengthy in pages, it is a simple bill that  
corrects, what, in my opinion is an unjust and unfair tax  
on an industry that is in deep trouble in our state. That  
trouble has been brought about by two things, in my opinion,  
one is the sales price of the product and the other is severe  
drought conditions over several years time. Although this  
bill addresses neither of those problems, it is just one  
strategy of offering some relief to that Industry and it is  
the responsibility of government to give that relief and not  
add to the problems that exist.

During my campaign for public office, I was driving west on  
Highway 2 one evening and at the Junction of Highways 13 and  
2, I saw many lights. My first thought was that there had  
been a very bad accident. When I got close enough to make  
out the lights, I found they were on six large livestock  
Semis that were parked at that corner. When I inquired over  
the next several days about these trucks, I found they were  
hauling away approximately 2/3 of a herd of one of the oldest  
and most respected ranches in our area. I also found out  
that many other large ranchers in our area had done the same  
thing. I decided at that point, that if I were elected, I'd  
do what I could to help and so HB 64 came to be. We are all

slowly, becoming aware of the terrible plight of the agriculture community and because it is our state's No. 1 Industry, it is our plight too. Montana livestock producers feel that their inventory is no different than the business community's inventory and the Legislature saw fit to eliminate their tax entirely in 1981. We cannot in conscience continue to tax this inventory. I had hoped to show the committee the total number of sales in the past year but found I was unable to get an accurate amount, however, the approximate amount is a guesstimate of 200,000 head.

I would like to read just a couple of paragraphs from two owners of livestock markets in our area. (Casey's & Glasgow) I could go on for a long time but I know there are others who would like to testify and I would like to reserve the right to close.

I more than understand the argument that some counties are losing tax money that is needed for many things. My contention is, that they have already lost that Tax Base through the sale of these herds. I would also recommend that if the Agriculture Community has to cinch in it's belts, then so do we all. Until this crisis, is felt by one and all, counties, schools, businesses, and people in all walks of life, nothing will ever be resolved and the situation will only deteriorate to the point of another depression. If that should happen, then where is the Tax Base. This bill, if passed, may help keep some people in the business going. It's just one small step of many that have to be taken.

I would also like to add that I had thought of introducing a bill that would put a tax on every pound of beef and lamb and pork that come into our state from Foreign countries but needed more experience and knowledge than I have at this moment. However, I may research it in the next biennium and do it in 1987. Ask your grocer next time if you're purchasing foreign or domestic meat!

TESTIMONY FOR HB 64, FEBRUARY 6, 1985 HELENA, MONTANA

Mr. Chairman, Members of the Taxation Committee, Ladies and Gentlemen.

I am George Vogt from the Bitter Root where my family *has* been in the cattle business since 1886. I appreciate having the opportunity to appear at this hearing in support of HB 64 which will remove the inventory tax on cattle. We appreciate the tax reduction the legislature made in 1981 from 8% to 4% which was to be the same tax levied on other inventories. However as the final action of the legislature, all business inventories were finally removed except on livestock, leaving our business inequitably treated again.

Our neighboring states have no such tax on the livestock industry, yet we compete with them in the market place.

It is rarely understood that livestock owners, and they alone, pay a special tax on livestock to support the Livestock Board. ~~This is in addition to the 4% statewide~~  
tax this year was 76 mills. The state's contribution from the general fund was approximately 15%. This money supports many services that protect all Montanans. Other state and local governments provide that funding from their general funds. These include sanitary inspections, inspection of markets, and other related businesses, theft of animals, a livestock Crime-stoppers Program, diagnoses of animal diseases including rabies outbreaks and enforcement of state laws related to the industry.

*in Montana*  
All of these are largely paid for by the 76 mills that livestock owners are assessed on their animals. They and they alone pay this levy.

I am not asking that we remove our obligation here from providing these services however, I feel that 76 mills is a considerable contribution, but I am beseeching you to treat our business as other businesses have been treated. If ever there was a time this should be done, it is now. ~~The days of the cattle baron are gone...~~

THANK YOU

# 1984 Ravalli County Tax Levies

The 1984 levies listed below show how many mills are levied against the taxable value of property to provide the funds required to operate the separate services and districts in the County. University and Livestock Board are state funds.

These millage amounts relate directly to the dollar amounts shown on your tax bill in the "Breakdown of your Tax Dollar" box.

Please read the tax information on the reverse of your bill. . . . If further information is desired, the Treasurer's Tax Department will gladly help you or direct you to the proper source.

Sincerely,  
Ruth Cleveland, Treasurer

COUNTY LEVIES:	MILLS	CITY/TOWN:	MILLS
General Fund .....	17.00	Hamilton .....	90.37
Bridge Fund .....	4.44	Stevensville .....	87.00
County Planning .....	.54	Darby .....	71.97
Comprehensive Insurance .....	1.00	Pinesdale .....	65.00
Airport Fund .....	.93		
Museum Fund .....	1.00		
County Fair .....	1.50		
Cemetery Fund .....	1.41		
Weed Control District .....	1.46		
Agriculture Agent .....	2.13		
Senior Citizens Fund .....	1.00		
Mental Health Fund .....	.50		
Ambulance Fund .....	.65		
District Court Operating .....	5.00		
Library Fund .....	.47		
Fringe Benefits .....	5.26		
<b>Total: 44.29</b>			
Road Fund .....	15.00		
Soil & Water Conservation .....	1.50		
Predatory Animal Control .....	10¢ head sheep		
<b>STATE FUNDS:</b>	<b>MILLS</b>	<b>COUNTY-WIDE SCHOOLS:</b>	<b>MILLS</b>
University Millage .....	6.00	General Elementary .....	28.00
State Welfare - Ravalli County .....	12.00	High School .....	17.00
<b>Total: 18.00</b>		High School Transportation .....	5.25
		High School Retirement - S.S. ....	17.93
		Elementary Retirement - S.S. ....	26.18
		<b>Total: 94.36</b>	
<b>STATE LIVESTOCK BOARD:</b>	<b>MILLS</b>	<b>OTHER DISTRICTS:</b>	<b>MILLS</b>
Bounty - Sheep .....	15.00	Corvallis Rural Fire .....	8.45
Commission .....	30.00	Stevensville Rural Fire .....	5.19
Sanitary .....	30.00	Hamilton Rural Fire .....	7.21
<b>Total: 75.00</b>		Darby Rural Fire .....	5.13
		Florence Rural Fire .....	17.72
		Sula Rural Fire .....	14.81
		Victor Rural Fire .....	10.14
		Three Mile Rural Fire .....	10.17
		Sula Garbage & Ash .....	5.32
		Victor Water & Sewer .....	71.86
		Corvallis Water & Sewer .....	66.61
		Darby Refuse .....	\$25 / yr. / unit
		Sula TV .....	\$40 / yr. / household
		Darby Area TV .....	\$2.50 / set
Bounty - Other Livestock .....	6.00		
Commission .....	40.00		
Sanitary .....	30.00		
<b>Total: 76.00</b>			

## NOTE:

1984 real estate levies apply also to 1985 personal property.

## RECAP OF TOTAL LEVY PER DISTRICT:

Posting District No.	School District	Total Levy
1. Pinesdale, Town of .....	55.55	277.20
2. Corvallis, less Rural Fire .....	55.55	227.20
3. Corvallis, including Rural Fire .....	55.55	235.65
4. Corvallis, Stevensville Rural Fire .....	55.55	232.39
5. Corvallis, Hamilton Rural Fire .....	55.55	234.41
6. Stevensville, Town of .....	74.55	318.20
7. Stevensville Rural, less Rural Fire .....	74.55	246.20
8. Stevensville Rural, with Rural Fire .....	74.55	251.39
9. Stevensville, with 3-Mile Fire .....	74.55	256.37
10. Stevensville, Town of, less Sewer .....	74.55	305.70
11. Hamilton, City of .....	51.34	298.36
12. Hamilton Rural, less Rural Fire .....	51.34	222.99
13. Hamilton Rural, with Rural Fire .....	51.34	230.20
14. Hamilton Rural, Darby Fire .....	51.34	228.12
15. Victor, less Rural Fire .....	43.88	215.53
16. Victor, with Rural Fire .....	43.88	225.67
17. Darby, Town of .....	47.17	275.79
18. Darby, less Rural Fire .....	47.17	218.82
19. Darby, with Rural Fire .....	47.17	223.95
20. Darby, with Sula Rural Fire .....	47.17	233.63
21. Darby, with Hamilton Fire .....	47.17	226.03
22. Darby, Town of, less Sewer .....	47.17	261.34
23. Lone Rock, less Rural Fire .....	90.36	262.01
24. Lone Rock, with 3-Mile Fire .....	90.36	272.18
25. Lone Rock, with Stevensville Fire .....	90.36	267.20
26. Florence, less Rural Fire .....	154.71	326.36
27. Florence, with Rural Fire .....	154.71	344.08

## ONE MILL TOTAL VALUE PER TAXING DISTRICT:

Corvallis .....	\$3,621.84	Darby .....	3,676.94
Stevensville .....	4,067.96	Lone Rock .....	1,104.36
Hamilton .....	8,019.13	Florence .....	1,539.59
Victor .....	1,866.41		

One Mill Total Value in County ..... \$23,896.23

# DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date February 19, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	X		
WILLIAMS, MEL, V. Chrm.	X		
ABRAMS, HUGH	X		
ASAY, TOM	X		
COHEN, BEN	X		
ELLISON, ORVAL	X		
GILBERT, BOB	X		
HANSON, MARIAN	X		
HARRINGTON, DAN	X		
HARP, JOHN	X		
IVERSON, DENNIS		X	
KEENAN, NANCY	X		
KOEHNKE, FRANCIS	X		
PATTERSON, JOHN	X		
RANEY, BOB	X		
REAM, BOB	X		
SANDS, JACK	X		
SCHYE, TED	X		
SWITZER, DEAN	X		
ZABROCKI, CARL	X		

## TAXATION

BILL NO. HOUSE BILL 652

DATE February 19, 1985

SPONSOR REPRESENTATIVE SWITZER

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Exhibit A  
HB 652  
2/19/85  
Switzer

AMENDMENTS TO HOUSE BILL 652, INTRODUCED BILL

Amend on page 4, commencing on line 2, by striking after the word "process" the following language "and performed in the vicinity of such operation or processes" and insert in lieu thereof the following:

"not to exceed 5% of the gross yield during the taxable year."

Further amend page 5, line 22, by deleting the following "and performed in the vicinity of such operation or processes" and insert in lieu thereof the following language:

"not to exceed 5% of the gross yield during the taxable year."



Exhibit 2  
HB 652  
2/19/85

WITNESS STATEMENT

Name GEORGE T. BENNETT HOUSE  
Committee On TAXATION  
Address POB 1705 HELENA 59601 Date 2/19/85  
Representing W. R. GROBE Support X  
Bill No. H.B. 652 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. THE STATUTE (15-23-503) presently, allows as a deduction "all moneys expended for necessary labor". We feel
2. This covers office, clerical and administrative

- This bill was written to satisfy the Department of
3. Revenue and to settle standing litigation. DOR does not agree to the bill.
  4. This is not an attempt at tax relief but to end a dispute if possible.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

Exhibit 3  
HB 652  
2/19/85

WITNESS STATEMENT

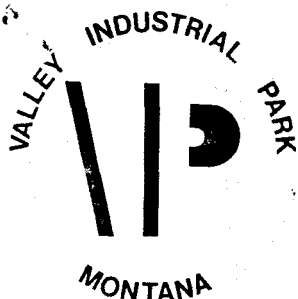
Name WARD SUANAHAN Committee On TAXATION  
Address P.O. Box 1715 HELENA MT Date 2-19-85  
Representing Pfizer Inc, & others Support V  
Bill No. 652 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The bill attempts to clarify an area of long standing argument between the
2. non-metal miners and the department of revenue.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



VALLEY INDUSTRIAL PARK, INC.  
P.O. Box 4675  
VALLEY INDUSTRIAL PARK, MT 59231  
February 13, 1985

D. C. Beckman, Manager  
BOARD OF DIRECTORS  
Peyton Terry, Chairman  
William Pattison, Vice Chairman  
Steve Bell, Secretary-Treasurer  
Roy Hagen  
Alex Mogan  
Arden Nichols

Representative Gerry Devlin, Chmn.  
House Taxation Committee  
State Capitol Bldg., Room 313-1  
Helena, Montana 59624

Dear Mr. Devlin:

Enclosed are copies for all members of the committee with information pertaining to the proposed ethanol plant at Valley Industrial Park. Please note the following stats.

IMPACT OF THE PROJECT

Item I D lists a total of approximately 150 direct employees. Applying the Montana Job Service multiplier of 1.52 for support jobs, this translates to a total of 225 for our community and for our state.

Item III A. lists six trucks of coal per day of 30 tons each amounts to 65,700 tons of coal annually. Please note that once a plant goes into production, it runs continuously 365 days a year. The coal severance tax fund will be enhanced considerably by such a huge volume of Montana coal.

Item III B. 1. lists six trucks daily of 10,000 gals. of alcohol or 3,650,000 gallons annually.

B. 2. lists seven trucks daily of 30 tons of DDG & pure protein. This is 76,650 tons annually.

Add to this the positive economic impact which will be felt in our agricultural community. The project plans to contract and purchase eight million bushels of wheat annually. The contract price will be 15¢ per bushel over the local market price. This will certainly boost farm income considerably. Another positive feature to the program is that the wheat does not need to have high protein and will be purchased with excessive moisture in the grain. There is a possibility that farmers could plant a lower protein but higher yielding variety and boost his income even more.

If there is one segment of our economy that needs a boost, it is agriculture. As you can see, projects like this will benefit not only farmers but our over all economy as well. I know the highway dept. will oppose this energy tax exemption. However, if our farmers don't make it financially, we won't have to worry about highways or anything else. Thanking you for your kind attention and support, I remain,

Yours truly,

  
Peyton Terry, Board Chmn.

## IMPACT OF PROJECT

### I. Employment

- A. 1st plant at "F" Dock - 50 to 55 people
- B. 2nd plant at "D" Dock - 20 to 25 people
- C. 3rd plant at "B" Dock - 20 to 25 people
- D. Total with all services - approximately 150 employees

### II. Housing

- A. Require 20-30 on site houses

### III. Trucking - 1st two plants

#### A. Incoming

- 1. Six trucks of coal per day
  - 1. 30 tons each

#### B. Outgoing

- 1. Six trucks of 10,000 gallons alcohol each per day
- 2. Seven trucks of 30 tons each per day of DDG

GRACE

Zonolite

Construction Products Division

W.R. Grace & Co.

P.O. Box 609

Libby, MT 59923-0609

(406) 293-3746

February 19, 1985

Rep. Jack Sands  
State Capitol Building  
Capitol Station  
Helena, Montana 59620

Dear Representative Sands:

During the Feb. 19 hearing on House Bill 652, you asked how taxes in Montana compare to those paid by the W.R. Grace vermiculite mine in South Carolina. In response to your question, I have obtained the following information:

In 1984, total taxes paid in South Carolina were \$.92 per ton while Montana taxes totalled \$8.21 per ton. These are state and local taxes only, excluding federal taxes.

Besides tax rates, South Carolina has some inherent advantages. First, labor costs are lower than in Montana which has the effect of decreasing production expenses. Second, because of its geographical location, the South Carolina plant is closer to markets, resulting in lower freight rates. The higher tax rate in Montana widens this discrepancy and is an additional incentive for selling South Carolina concentrate.

In 1984, 47 persons were permanently terminated from the Libby mine's workforce because of curtailed production. Prior to the permanent reduction, the Libby mine suspended operations periodically to compensate for market conditions. In 1983, for example, the mine was shut down 17 weeks.

Finally, House Bill 652 is not an attempt to circumvent the legal process. W.R. Grace has appealed a deficiency assessment from the Department of Revenue directly to the State Tax Appeals Board for the years 1977, 1978 and 1979. House Bill 652 would not affect the case currently pending before STAB, but would clarify deductions for future tax years.

I hope this has been of some help to you. Please feel free to contact me for further information.

Very truly yours,

  
Earl D. Lovick

✓ cc: Members of the House Taxation Committee  
file