MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 27, 1985

The fortieth meeting of the Senate Taxation Committee was called to order by Senator Eck at 8:07 am in Room 413-415 of the Capitol Building.

ROLL CALL: All members of the committee were present by 8:15. Senators Towe, Mazurek and Goodover arrived after the meeting was called to order.

CONSIDERATION OF SB 436: Senator Esther Bengston, Senate District 49, was recognized as chief sponsor the bill. She provided the committee with a written explanation of the need for the bill (Exhibit 1). She said that currently the household and dependent care expense deductions are so difficult to claim that in many instances it cannot be done. The handout included examples of the form as it currently is used, and a sample of a proposed form that could be implemented with these changes. She said that she thought that originally a percentage of the federal tax credit. She said that cannot be done here because of a cap on the Montana credit and some uncertainty about federal law.

PROPONENTS

Mr. Irv Hall, Department of Revenue, said Montana had patterned its law in this area on a very complicated 1974 IRS code. He said that the current form requires from 77 to 137 entries. He said this bill has been written to keep the same restrictions and same income limitations and no fiscal impact. He said they have developed a form of only five lines that could be used if this bill is enacted. He said the bill is complicated because it keeps the same restrictions as currently exist.

Senator Dorothy Eck rose as a proponent to the bill. She said the clarification was badly needed by her constituents and, while she was not certain the credit was ample, she was glad to see the bill.

Senator Bengston inserted that perhaps the cap should be removed.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Towe asked if there was substantive change in the law. Mr. Hall said, no, that the reason for the extensive changes in the bill were that formerly the Montana law had refered to federal code and that was no longer possible.

Senator Eck asked how much the deduction cost and Senator Goodover asked how many people were involved. Mr. Hall said that figures were not available, but that not many can claim the deduction and

Senator Eck asked about the cap. The cap phases out from $18,000 to $27,000. There is no inflation factor considered and these numbers are not indexed.

Senator Bengston closed saying that she had questions about removal of the cap. She said simplifying the form was good, but questioned whether it was enough. She said the form is too darn complicated, and that is a necessary first step in addressing the problem.

Senator Eck asked the chairman to direct Jim Lear to check into indexing these figures. Chairman Towe so directed Mr. Lear, and asked Mr. Ken Morrison of the Department of Revenue to participate in that.

Senator Goodover asked who the bill would affect? Senator Mazurek and Senator Brown both discussed their own use of the deduction. Senator Mazurek added that the amount claimed doesn't justify the amount credited.

Senator Hirsch said the committee should also address the amount of the deduction. He was concerned that this would not otherwise be considered a revenue bill.

Chairman Towe explained that there is an agreement between the Senate and House Taxation Committees that all bills in committee on the 45th day will be considered revenue bills for purposes of transmittal.

FURHTER CONSIDERATION OF SB 437: A letter to the commitee regarding SB 437 was distributed (Exhibit 2).

FURTHER CONSIDERATION OF SB 67: Senator Severson said the bill should pass in some form.

Chairman Towe recognized Mr. Jim Lear to discuss the amendments. Mr. Lear said the amendments (Exhibit 3) addressed the definition of "agricultural land" and that those are no incorporated into the committee bill. He said the amendment on the second page was still pertinent for consideration.

The committee got into an intricate discussion of the distinctions in taxation among a vacant lot, a vacant lot that had the improvements of a septic and a sewer system and a lot with a residence incorporating a spetic and a sewer system. The disagreement centered on whether or not there was any increased value if the lot had septic and sewer if there was not a house on the lot. The second area of difficulty was comparing farm residence to urban residences in this regard; though the committee consensus was that they should be treated the same. The following amendments were seeded in that discussion.

MOTION: Senator Mazurek moved to amend SB 67 as follows:

1. Title, line 4.
Strike: "EXEPMTPING ALL"
Insert: "CLARIFYING THE TAXATION OF"

2. Title, line 6.

Following: "DWELLINGS"
Strike: "ON AGRICULTURAL LAND AND ALL"
Insert: "; EXCEMPTING CERTAIN"

3. Page 1, lines 12 and 13.
Following: "systems" on line 12
Strike: "on agricultural land exempt"

4. Page 1, lines 14 through 16.
Following: "dwellings" on line 14
Strike: through "taxation" on line 16
Insert: "may not be appraised, assessed, and taxed separately from the land in which they are located"

5. Page 1, lines 24 and 25.
Following: "instruction." on line 24
Strike: "Sections 1 and 2 are"
Insert: "Section 1 is"

6. Page 2, line 1.
Following: "chapter"
Strike: "6"
Insert: "7"
Following: "to"
Strike: "sections"
Insert: "section"

7. Page 2, line 2.
Following: "1"
Strike: "and 2"
Following: "."
Insert: "Section 2 is intended to be condified as an integral part of Title 15, Chapter 6, and the provisions of Title 15 apply to Section 2."

8. Page 2, line 5.
Strike: "1984"
Insert: "1985"

The amendments were clarified, the question was called and the motion carried unanimously.

Consideration of the amended bill continued. Senator Towe said he would object to existing language unless a salvage value floor was inserted in the bill.

After brief discussion it was apparent the bill could not leave the committee without additional amendment.

Senator Williams said that he would like to be present for any action on SB 280 and that he had additional information for the committee.

Chairman Towe adjourned the meeting at 9 am.

Thomas E. Towe
Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date 27 February 85, 8:05am

Location -- Room 413-415

Name	Present	Absent	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

Sample

Form 2441M

Deduction for Child and and
Dependant Care Expenses

19___

Name as shown on Form 2

1. Number of qualifying persons cared for ___________

2. Enter amount of expenses paid in 198__
but not more than
   a. $2,400 for one person
   b. $3,600 for two persons
   c. $4,800 for three or more persons ___________

3. Enter one half of the amount your income
(if married combine the income of both spouses)
exceeds $18,000. Enter - 0 - if less than $18,000 ___________

4. Subtract Line 3 from Line 2 but not less than
-0-. This is the amount of your deduction if
single or married filing a joint return.
Enter on Schedule 2A Line 84. ___________

5. Married people filing separate divide Line
4 by 2. This is the amount each may deduct.
Enter on Schedule 2A Line 84. ___________

Exhibit 1 - SB436.

Form **2441**

Department of the Treasury
Internal Revenue Service (X)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See Instructions below.

OMB No. 1545-0068

1984
23

Name(s) as shown on Form 1040 | Your social security number

1 Write the number of qualifying persons who were cared for in 1984. (See the instructions below for the definition of qualifying persons.) . . . ▶ 1

2 If payments listed on line 3 were made to an individual, complete the following: Yes No
a If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home? 2a
b If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 2)? 2b
c If the answer to **b** is "Yes," write your employer identification number. . . . ▶ 2c

3 Write the amount of qualified expenses you incurred and actually paid in 1984, but **do not** write more than $2,400 ($4,800 if you paid for the care of two or more qualifying persons) . . . 3

4 You **must** write your earned income on line 4. See the instructions for line 4 for the definition of earned income.
- If you were **unmarried** at the end of 1984, write your earned income on line 4, **OR**
- If you are **married,** filing a joint return for 1984,
  - **a** write your earned income $ ...., and
  - **b** write your spouse's earned income $ ...., and
  - **c** compare amounts on lines 4a and 4b, and write the **smaller** of the two amounts on line 4. . . . 4

5 Compare amounts on lines 3 and 4, and write the **smaller** of the two amounts on line 5 5

6 Write the percentage from the table below that applies to the adjusted gross income on Form 1040, line 33. . . . 6

If line 33 is: Over— But not over—	Percentage is:	If line 33 is: Over— But not over—	Percentage is:
0–$10,000	30% (.30)	$20,000–22,000	24% (.24)
$10,000–12,000	29% (.29)	22,000–24,000	23% (.23)
12,000–14,000	28% (.28)	24,000–26,000	22% (.22)
14,000–16,000	27% (.27)	26,000–28,000	21% (.21)
16,000–18,000	26% (.26)	28,000	20% (.20)
18,000–20,000	25% (.25)		

7 Multiply the amount on line 5 by the percentage shown on line 6, and write the result. 7

8 Multiply any child and dependent care expenses for 1983 that you paid in 1984 by the percentage that applies to the adjusted gross income on Form 1040, line 33, for 1983. Write the result. (See line 8 instructions for the required statement.) . . . 8

9 Add amounts on lines 7 and 8. Write the total here and on Form 1040, line 41. This is the maximum amount of your credit for child and dependent care expenses. . . . 9

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

What Is the Child and Dependent Care Expenses Credit?

You may be able to take a tax credit for amounts you paid someone to care for your child or other qualifying person so you could work or look for work in 1984. The credit will lower the amount of your tax. The credit is based on a percentage of the amount you paid during the year. The most you may take as a credit is $720 if you paid for the care of one qualifying person, or $1,440 if you paid for the care of two or more qualifying persons.

Additional information.—For more information about the credit, please get **Publication 503**, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

Who Is a Qualifying Person?

A qualifying person is any one of the following persons:

- Any person under age 15 whom you claim as a dependent (but see the special rule later for **Children of divorced or separated parents**).
- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of $1,000 or more.

Children of divorced or separated parents.—If you were divorced, legally separated, or separated under a written agreement, you may be able to claim the credit even if your child is not your dependent. Your child is a qualifying person if **all four** of the following apply:

1. You had custody for the longer period during the year; and

2. The child received over half of his or her support from one or both of the parents; and

3. The child was in the custody of one or both of the parents over half of the year; and

4. The child was under age 15, or was physically or mentally unable to care for himself or herself.

(Continued on back)

Form **2441 M**

Montana
Expenses for Household and Dependent Care Services

19 ____

Name(s) as shown on (Form 2) | Your social security number

	January	February	March	April	May	June	July	August	September	October	November	December
1 Monthly amounts incurred for employment-related expenses in the household (See General Instruction B and Specific Instructions for line 1):												
(a) Dependent under age 15												
(b) Disabled dependent												
(c) Disabled spouse												
2 Monthly amounts incurred for services outside the household for care of dependents under age 15. Enter lesser of amount incurred, or \$200 for one, \$300 for two, or \$400 for three or more												
3 Total (Add lines 1(a), 1(c), and 2)												
4 If you entered employment-related expenses for a disabled dependent on line 1(b), above, and the combined amount of adjusted gross income and disability payments received this year by that dependent is in excess of \$750, divide the excess over \$750 by the number of months for which you have listed amounts on line 1(b). Enter this result or the monthly amount on line 1(b), whichever is smaller, in each monthly column in which an amount is listed on line 1(b) (See specific instructions for lines 4 and 5)												
5 If you entered employment-related expenses for a disabled spouse on line 1(c), above, and your disabled spouse received disability payments, divide the total disability payments received this year by the number of months for which you have listed amounts on line 1(c). Enter this result or the monthly amount on line 1(c), whichever is smaller, in each monthly column in which an amount is listed on line 1(c) (See specific instructions for lines 4 and 5)												
6 Total (Add lines 4 and 5)												
7 Subtract line 6 from line 3												
8 Monthly limitation	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400:00	400.00	400.00	400.00
9 Enter lesser of line 7 or line 8												
10 If your combined (column A & B) adjusted gross income, Form 2, line 38 is larger than \$18,000, divide the amount over \$18,000 by 24. Enter this result in each monthly column in which you have an amount listed on line 3												
11 Subtract line 10 from line 9. If line 10 is greater than line 9, enter a zero												

12 Add amounts on line 11 and enter total here	
13 Total amounts listed on line 11 paid during this taxable year or a prior taxable year (See specific instructions for line 13)	
14 Enter lesser of line 12 or line 13	
15 Deductible household and dependent care expenses incurred in prior taxable year not paid until this taxable year (Attach schedule showing computation of deduction—See specific instructions for line 15)	
16 Allowable deduction this taxable year (Add lines 14 and 15). Enter total here and include on Form 2, line 84	

1. If based on Federal credit they may change at any time thereby changing our credit.

2. If based on Federal credit and having no fiscal impact you would be taking away from the low income and giving to high income. i.e. there is no limit outside of the fact that the credit is reduced to 20% by the time you reach $28,000 but there are no limitations after that.

February 25, 1985

SunCraft Appropriate
Energy Alternatives, Inc.
135 E. Main/P.O. Box 1146
Bozeman, MT 59715

Tom Towe
Senate Taxation Committee
Montana Legislature

<u>Testimony in Support of S.B. 437</u>
<u>Montana Renewable Energy Tax Credit</u>

Senator Towe:

We would like to introduce ourselves, Dale Pickard/President and Bob Knebel/Vice President of SunCraft Appropriate Energy Alternatives, Inc. of Bozeman, and to <u>express our support of S.B. 437</u> which concerns Renewable Energy Tax Credits for Montana.

We are the founders and co-owners of a Montana small business which derives its total income from the design, engineering, manufacture, and installation of renewable energy and energy conservation equipment. For the past 5 years we have helped numerous Montana homeowners, businesses, and organizations with their energy problems and concerns and have been active in the Renewable Energy and Energy Conservation Industry. Much of this activity has been centered around education, research, and the elucidation and refinement of effective renewable energy and conservation techniques, products, and services which are appropriate to our geographic location and particular economic situation.

We have seen our business grow modestly but steadily as Montanans become more aware of how they use energy and the rising costs of using certain forms of energy. Our business has grown from a one-man operation into a small Montana corporation which employs up to five persons. <u>We know that the tax credit will increase the demand for our products and services and help our business and number of employees to grow even more.</u> Upon reaching a sustained level of demand for our products, most of which are now "imported" from other states actively promoting the technologies, we will begin to manufacture and assemble the products here in Montana. We will also establish other "branch" businesses around the state using Montanans we have met who have expressed a strong desire to enter the Renewable Energy and Conservation Industry.

A great deal of progress has been made in the Renewable Energy and Conservation Industry since energy use in this country became a vital concern 10 years ago. Many "fly-by-night" energy businesses and products have come and gone leaving a core of committed engineering, business, and installation professionals promoting technically and economically sound products and services which should and must be allowed a place in the energy market.

Our experience, after having designed and installed numerous renewable energy systems of various types is that the technology is effective, reliable, economically sound, and often the most technically rational solution to energy problems. For example, should we as a state, insulate water heaters, seal cracks under doors, use solar energy for mundane yet highly consumptive applications such as domestic water heating, encourage the manufacture and use of more efficient lights and appliances, and insulate our windows and place them on the south side of a building? Or should we build new and ever more expensive power plants and transmission lines, increase the pollution of our air and water, degrade our childrens' agricultural and natural heritage, deplete our ever more valuable natural resources, and decrease our national security?

An expanded Montana tax credit for renewable energy and energy conservation is desirable for several reasons:

- A tax credit would allow these techniques to be significantly more economically competitive with "conventional" energy resources while increasing revenue to the state. This revenue would result from increased business activity at the local level (where energy problems need to be solved anyway), increased employment of professionals and skilled trades, and the decreased impact of rising energy costs on individual incomes. This impact results in the profits from energy development going out of state and the loss of income to an energy end use which might otherwise be spent elsewhere in the Montana economy. Colorado and California (to name two) have recently renewed their rather generous state tax credits for renewable energy for these very reasons.
- So-called "conventional" energy industries receive many subsidies of various kinds which skew energy economics. That energy prices reflect the true cost of production is far from true. Especially since these prices do not comprehensively account for the impact of energy development on environmental, political, social, and national security issues. Often a great deal of money is spent simply mitigating the impact of energy production and this money is not reflected in energy prices.

• The energy market is not "free" but instead heavily regulated. This severely curtails the competitive ability of other energy technologies even when these technologies are ultimately more economically sound, technically more rational, and environmentally benign. Today in Montana we see a situation where the cost of production of "conventional" energy has increased but the price of this energy is being held artificially low.

• The subject of energy economics is significantly more complex than is indicated by the current price of energy. The price of "conventional" energy is a function of many things, most of which we have no control over and are very difficult to predict. It is certain that in the long term the price of virtually all forms of energy will increase. These increases could be slow or very sudden. Energy prices in Montana are already significantly lower than in the rest of the country and it is difficult and hazardous to assume that this situation will continue. It is important to realize that the cost of renewable energy and energy derived from conservation is more a function of time than of the initial cost of these systems and services. The price of energy derived from these sources cannot be directly compared to the price of conventional energy. The difference in price between renewable energy and "conventional" energy is the difference between investment and consumption. Investment in renewable energy and energy conservation yields a return, for the individual who made the investment and for the society and environment of which they are a part. Consumption yields a continually sunk cost and any profits derived from the sale of this energy are lost from the consumer and their society.

• Renewable energy and energy conservation, as developed in the last 10 years, represent sophisticated, state-of-the-art energy technologies outmoding anything we now consider "conventional". It is important to realize that energy is a basic commodity which will always be in demand, that the technology for producing this energy is changing, and that Montana is in the favorable position of being able to promote, encourage, and benefit from these changes. There is much interest these days in "high technology" and in bringing this technology and the associated "clean, professional" industries to Montana. If one is looking for high technology and for applications which benefit from high technology then one need look no further than the Energy Industry. Ultimately we will see most of the energy we use derived from renewable resources. Renewable energy and energy conservation is strictly a sooner or later thing.

• Renewable energy is popular, and makes sense to many Montanans, especially those who are politically conservative and independently minded. We have run several educational seminars throughout the state on solar energy applications and have never suffered from a poor turnout or lack of interest. Our seminars often run overtime while we answer people's questions, help them with their plans, and review their applications. There is no doubt that most Montanans view renewable energy and energy conservation as the most desirable energy resource. Many assume that it is "the coming thing" but that it's "not here yet". Most often all that is needed for the "coming thing" to get "here" is a little education, the proper incentives, and a viable Renewable Energy Industry.

In summary, with the use of tax credits we have the opportunity to:

- commercialize renewable energy and conservation technology in Montana;
- assist those Montanans needing long-term energy solutions;
- develop a necessary base of local small businesses with the expertise to design, manufacture, and install the various energy saving equipment and systems;
- invest a "seed" amount of capital today in order to yield returns to Montana in the form of increased local business activity, security from rising energy prices, and protection and conservation of the natural resources of Montana.

In closing, we would like to point out that there are numerous other Montana businesses and individuals who are also involved in the Renewable Energy and Conservation Industry. Through the Montana Solar Energy Industries Association (MontSEIA), we have established a "Code Of Ethics" for our industry, a policy to educate and protect the consumer, and a dialogue between our members to increase knowledge and professionalism in our Industry. While we are not yet a large constituency wielding a great deal of lobbying power, we feel that we speak for and respond to the needs of many Montanans who are concerned with energy policies in Montana and the nation. Individuals we have spoken with are in favor of tax credits as a short-term measure to stimulate the supply of and demand for renewable forms of energy and conservation and the development of a base of "alternative" energy businesses. We all agree that the best policy would be an energy "free market" with no incentives or subsidies for anyone since renewable energy and conservation technologies would generally be more cost-effective than "conventional" fuels such as electricity, oil, and natural gas.

Thank you for supporting S.B. 437.

Bob Knebel

Amendments to Senate Bill No. 67
Amend SB 67, introduced copy

1. Title, line 7.
Following: ";"
Insert: "CLARIFYING THE DEFINITION OF AGRICULTURAL LAND; AMENDING SECTIONS 15-7-202 AND 15-23-611, MCA;"

2. Page 1.
Following: line 11
Insert: "NEW SECTION."

3. Page 1.
Following: line 16
Insert: "NEW SECTION."

4. Page 1.
Following: line 19
Insert: "Section 3. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it meets any of the following qualifications:

(a) ~~the-area-of-such-land-is-not-less-than-5-contiguous-acres when-measured-in-accordance-with-provisions-of-15-7-206,-and-it-has been-actively-devoted-to-agriculture-during-the-last-growing-season, and-it-continues-to-be-actively-devoted-to-agricultural-use,-which means:~~

~~(i)-it-is-used-to-produce-field-crops-including-but-not-limited to-grains,-feed-crops,-fruits,-vegetables,-or~~

~~(ii)-it-is-used-for-grazing,-or~~

~~(iii)-it-is-used-for-growing-timber,-or~~

~~(iv)-it-is-in-a-cropland-retirement-program,-or~~

it produces not less than $1300 in annual gross income in 1984 dollars, adjusted annually for inflation, from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food, fiber;

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income ~~regardless of-the-number-of-contiguous-acres-in-the-ownership;~~ ~~or~~

(c) ~~it-is-used-to-raise-animals-in-confined-areas-for-the-production of-food-or-fiber,-including-but-not-limited-to-livestock,-feedlots, dairies,-fish-hatcheries,-and-poultry-farms.~~

it produces not less than 520 bushels of wheat, 695 bushels of barley, 30 tons of hay, or an equivalent measure or weight of any other field crop by comparison in the market for the year;

(d) it serves as grazing land supporting 40 animal unit months; or

(e) it would have met the qualifications set out in subsections (1)(a) through (1)(d) were it not for independent intervening causes of production failure beyond the control of the producer, in which case proof of qualification in a prior year will suffice.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation."

Section 4. Section 15-23-611, MCA, is amended to read:

"15-23-611. Surface ground and improvements not exempt--down-hole equipment exempt. (1) Nothing in this part must be construed so as to exempt from taxation the surface ground, improvements, buildings, erections, structures, or machinery placed upon any ~~mine~~ oil or gas well or supplies used in connection therewith.

(2) Down-hole equipment in oil or gas wells constituting casing installed in the ground and machinery installed below ground in the casing of a producing oil or gas well is not considered to have a value separate and independent of the well and is exempt under [section [illegible]].""

Renumber subsequent sections and preface them with "NEW SECTION."

with exception of any value which results from salvage.

Williams senate bill . . .

Should Yogo gems be taxed?

by CARRIE MANTOOTH

Sen. Bob Williams presented a bill to the Senate Taxation Committee Tuesday to subject the gross proceeds of the Yogo Sapphire Mine of Utica to taxation.

Senate Bill 280 was introduced by Williams and Rep. Gene Ernst.

"Because of the fact that Rep. Ernst and I are both residents of Judith Basin County and are somewhat familiar with the gemstone mining in our area, our county commissioners requested that we check into the possibility of correcting an inequitable tax situation in one of our natural resources," Williams said at the hearing.

The bill requests taxation of gemstone mines in general, but the Yogo mine is the only gemstone mine currently operating in the state.

"Even though the gem (sapphire) has been mined and sold for 90 years, none of our county commissioners, nor their predecessors, can remember ever recieving any tax money from the sale of gems," said Williams.

The present owner of the mine is Intergem Incorporated of Aurora, Colo.

"Some of these people have been acquainted with the mine for 15 years or so and are evidently pretty familiar with the value of the sapphire." Williams said he was told by some of the company's employees that the sapphire reserve had a $1 billion value.

"That sounds like a lot of bucks. In a Great Falls Tribune article on Aug. 7, 1983, it was stated that half a million carats had been mined in the past three years."

Williams said that not every stone is a "bonanza," but added that a gemstone publication quoted a top grade one carat Yogo sapphire as retailing at $2,400.

In an Aug. 29, 1984 Wall Street Journal article, Bill Richards said Intergem planned to mine some 300,000 rough carats of Yogo's in 1984 and hoped to "step up production to about one million rough carats annually in the future," according to Williams.

Senate Bill 280 would subject the gross proceeds to taxation, setting the taxable percentage rate applicable to gemstone mines at 45 percent. However, the bill exempts the first $40,000 of merchantable value of gemstones produced annually from taxation.

"This is to exempt the weekend miner," explained Williams.

The fiscal note for the bill projects that Judith Basin County will receive an additional $48,235 in 1987 under the proposed taxation of the Yogo mine.

This is assuming a rate of $4 per carat at the mine tied to the Consumer Price Index (which may change) for valuation purposes and assuming that the 123,014 carats of sapphires mined in 1983 will remain constant.

The bill is currently under consideration by the Senate Taxation Committee.

Williams told the committee, "I sincerely hope they do well with it, but at the same time, I very seriously think that the Yogo sapphire, even though it has been around for 25 million years, and has been mined, sold and admired for 90 years, has just about come of age and should be expected to pay at least a token price to the state of Montana and the county in which it is located."