

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 7, 1985

The thirty-third meeting of the Business & Industry Committee met in Room 410 of the Capitol Building at 10 a.m. The meeting was called to order by Chairman Mike Halligan.

ROLL CALL: All committee members were present except for Senator Gage who was excused.

CONSIDERATION OF HOUSE BILL 266: Representative Ray Harbin, House District 53, Lake County, is the chief sponsor of House Bill 266 which requires that payment of taxes due the state be done by electronic funds transfer whenever the amount due is \$500,000 or above and provides an effective date. He explained that last year, FY84, the state lost \$70,000 in interest on money that was processed by the method called "float". This would address this problem and require that the money be transferred by electronic transfers to expedite the process.

PROPOSERS: David Ashley, Deputy Director of the Department of Administration, explained the bill would speed up the process of tax payments in excess of \$500,000. It would not change the amount due the state or the date due but just speed up the procedure. He explained there was a tax reform act on the federal level in 1984 which allowed for electronic transfers of large amounts and the state thought this might be advisable for the state level also. Ron Smith, Assistant Administrator of Centralized Services, favors the bill because it would not cause any more expense to the state to implement the procedure.

OPPOSERS: There were none.

Questions from the committee were then called for. Senator Thayer wondered how many people this might affect and was told 2 to 4 monthly, 20 quarterly and perhaps another 10 annually. The hearing was closed on House Bill 266 by Representative Harbin.

DISPOSITION OF HOUSE BILL 266: Senator Christiaens moved that House Bill 266 BE CONCURRED IN. The motion carried with Senator Neuman voting no. Senator Weeding will carry the bill on the floor.

CONSIDERATION OF HOUSE BILL 184: Representative Ted Schye, House District 18, Glasgow, explained this bill will allow cash payment for bingo prizes. He stated in his county there had been some places that had been forced to be closed by the county attorney because they were in violation by offering cash prizes. The bill was amended in the House to leave the electronic machines exactly the way they are in current law. He feels the compromise is a fair bill for everyone.

PROPOSERS: Senator Richard Manning, Senate District 18, Great Falls, supports the bill as proposed. He distributed a research report they had done to determine the desire for expanded gambling. He feels people are paying off in cash anyway and this would just legalize it. He would like to see the bill passed. (EXHIBIT 1) Ben Albertson, from Glasgow, representing the senior citizens, VFW, Knights of Columbus, Elks and others in northeastern Montana feels this bill would be good for everyone. He feels the senior citizens save the taxpayers money with the revenues they receive from bingo games going for repairs on their center and charity. Raymond Walker, from Glasgow, favors this bill because it helps to keep the senior citizens entertained. Pius Elli, owner and operator of a bingo parlor in Billings, feels that bingo is a social game which is acceptable for everyone especially the ladies. He urged passage of the legislation. Rose Albertson, Glasgow, favors the bill because it provides wholesome entertainment for the senior citizens. Sid Smith, from Helena, supports the bill as written.

OPPOSERS: There were none.

Questions from the committee were then called for. Senator Thayer wondered why the electronic video games were being treated differently. Representative Schye stated the biggest debate in the House was from those who felt it was opening the way for slot machines. The amendment proposed would leave the electronic machines exactly the way they are now. Senator Halligan questioned whether the word "they" referred to prizes and if this was grammatically correct. Mary McCue felt it might be better to say "a prize" rather than "they." Representative Schye felt it was a reasonable bill which provides social entertainment especially in rural areas and recommended a do pass. He closed the hearing on House Bill 184.

DISPOSITION OF HOUSE BILL 184: Senator Goodover moved to ADOPT the amendments to the bill to change the wording to "a prize" in two places on the bill. (EXHIBIT 2) The motion carried. Senator Christiaens then moved that House Bill 184 BE CONCURRED IN AS AMENDED. Motion carried with Senator Gage voting no. Senator Manning will carry the bill on the Senate floor.

CONSIDERATION OF SENATE BILL 391: Senator Christiaens felt the bill should be put into a subcommittee for further discussion on possible amendments concerning period of leasing time, percentage of machine operators take versus the bar owner, etc. Senator Christiaens, Senator Boylan, Senator Weeding and Senator Thayer will work on the bill and report back to the committee.

DISPOSITION OF HOUSE BILL 223: There was a tie vote on this bill in yesterday's hearing. A motion was then made by Senator

Christiaens TO TABLE House Bill 223. On a roll call vote 9 voted yes and Senator Halligan voted no.

CONSIDERATION OF HOUSE BILL 568: Rep. Jack Moore, House District 37, Great Falls, explained his bill is a seven day tobacco tax credit similar to the beer and wine tax credits where the retailer pays the wholesaler or distributor the taxes due within this amount of time. It would help eliminate a cash flow problem that now occurs for the wholesaler.

PROPOSERS: Tom Maddox, with the Montana Association of Tobacco and Candy Distributors explained his group was mostly comprised of small business owners and they are appealing for relief from a situation the state helped create. The wholesaler is caught between his supplier and the state and cannot depend upon reimbursement of prepaid taxes from retail outlets in a timely fashion. At today's prices the delays can be devastating to a business. He hopes the committee will pass the bill. (EXHIBIT 3) Mike Parker, Secretary-Treasurer of Pennington's Inc. of Great Falls, Shelby and Havre, a wholesale distributor, explained the law requires them to affix a stamp on the bottom of the cigarette cartons after they buy the stamp from the county treasurer. This is then put into their investments account and when they sell the cigarette they have a third interest already in accounts receivable. They have no remedy to have this paid back until the retailer pays them. He further explained that with wine and beer the tax is due after the liquor is sold but cigarettes are due before they are sold. He urged consideration of the legislation. (EXHIBIT 4)


OPPOSERS: There were none.

Questions were then called for. Senator Halligan asked what the procedure was for buying and affixing the stamps and Mike Parker explained the step-by-step process. The tax amounts to \$1.60 per carton. Senator Williams asked if the state were to accept this if it would increase their investment and Mike Parker stated it would be about \$48,000. He explained if taxes go up even higher as has been discussed they could foresee more problems ahead for them. Senator Christiaens asked what the timetable was for them now and was told it was 30 days with the state. They incur approximately \$10,000 to \$30,000 of debt each year on bad debts each year. The federal cigarette tax has to be paid within 7 days. Representative Moore closed by saying that he felt it was a good bill and that it might help the distributors we have left in the state.

DISPOSITION OF HOUSE BILL 568: Senator Goodover moved the committee CONCUR House Bill 568. The motion carried. Senator Thayer will carry the bill on the Senate floor.

CONSIDERATION OF SENATE BILL 413: Chairman Mike Halligan informed the committee this bill was tabled earlier by the committee but was now being discussed by local governments again and the board felt they might be able to support the legislation now with some amendments. Mary McCue, Legislative Staff Attorney is working on a grey bill presently which may be brought before the committee later on this week.

The meeting was adjourned at 11 a.m.


Chairman

cd

ROLL CALL

BUSINESS & INDUSTRY

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/7/85

SENATE
SENT
#

NAME	PRESENT	ABSENT	EXCUSED
Chairman Halligan	X		
V-chrm. Christiaens	X		
Senator Boylan	✓		
Senator Fuller	X		
Senator Gage	E		
Senator Goodover	X		
Senator Kolstad	X		
Senator Neuman	/		
Senator Thayer	✓		
Senator Williams	✓		
Senator Weeding	X		

Each day attach to minutes.

DATE: March 7 1985

COMMITTEE ON Business + Industry

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with C-100)

EXHIBIT 1
BUSINESS & INDUSTRY
March 7, 1985

Gambling Initiative 92 Research Report

prepared by Uber Advertising
January 4, 1983

from survey results taken on
December 13-17, 1982

prepared for in-house test

unclassified

foreword

In the days after the November 1982 election our agency was looking for a fairly large research project that could be conducted for no other purpose than to sharpen our skills. After a week of frantic searching a colleague mentioned that in 1972 the section on gambling in the constitution was overwhelmingly excepted, but Initiative 92, which was presented on this years ballot, was very handily rejected.

This gave us the basis for a research project, was the initiative rejected because Montanans had decided against gambling or was their part of the initiative that they were unhappy with or were they dissatisfied with the initiative entirely.

Methodology

Research Design

The research that was undertaken was of an exploratory nature. This method of collection was used because it best suited the nature of the problem - finding out how a representative population of Montanans truly feel concerning initiative 92.

Data Collection Method

The collection method used was telephone interviews. This method was chosen because of speed, length of survey, and cost.

Sample of Questionnaire

Hello, my name is _____ and I am conducting an independent survey of the views of Montanans concerning initiative 92. May I have a few minutes of your time to ask you some questions?

if no: Thank You very much!

if yes: are you over 18

if no: may I speak to someone who is?

if yes: continue

if no: explain you are concerned with the opinions
of the voting population.

1. How would you vote concerning expanded gambling in the State of Montana? for 0 against 0
2. How would you vote concerning the creation of a state gaming commission? for 0 against 0
3. How would you vote concerning the introduction of Blackjack into the state? for 0 against 0
4. How would you vote concerning the legalization of punchboards in the state? for 0 against 0
5. How would you vote concerning the legalization of electronic or mechanical gambling devices that simulate card games, bingo or keno? for 0 against 0
6. How would you vote concerning bingo and keno payoffs being made in cash? for 0 against 0
7. How would you vote concerning local government taxation of gambling establishments for 0 against 0

Thank You Very Much For Your Time!

Sampling

The sampling method used was random digit dialing for the following prefix numbers:

452 453 454 727 761

The Great Falls area was used because their poll results concerning I92 were very similar to that of the states, and we feel that it gives a very good indication. The project budget being in-house also did not allow for a large amount of long-distance calls.

The sample size used was determined as per Krejcie, Robert, and Morgan in Ed and Psych. Measurement Vol 30 pp 607-610 where a 95% confidence for populations of 75,000 and under is 381.

In generating the numbers for calling we created an equally proportionate list from the 5 prefixes until we had 1000 phone numbers. This was done using a random phone number generator designed for the Apple II computer. The numbers were then called, and questionnaires filled out until we had 400 completed.

*note - calls were made in a random fashion because of the high percentage of unlisted phone numbers. However, this also generated some business phones, and these were not accepted for fear of duplication.

Analysis

Q1	252 for	148 against
Q2	116 for	284 against
Q3	96 for	304 against
Q4	260 for	140 against
Q5	360 for	40 against
Q6	364 for	36 against
Q7	276 for	124 against

Findings, Conclusions and Recommendations

findings

expand gambling	63%	for	37%	against
create gaming commission	29%	for	71%	against
allow blackjack	24%	for	76%	against
allow punchboards	65%	for	35%	against
electronic/mechanical	90%	for	10%	against
payoffs in cash	91%	for	9%	against
local taxation	69%	for	31%	against

conclusions

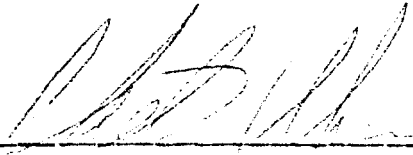
Initiative 92 lost by a considerable margin in the State of Montana November 1982 balloting not because Montanans are negative towards gambling, but just towards two of the inclusions in the initiative.

Very negative results were derived from both the creation of a state gaming commission and the legalization of Blackjack. However, all other responses were highly positive especially those concerning electronic and mechanical gaming devices and payoffs in cash for keno and bingo.

recommendation

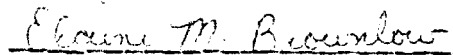
Reintroduction of the bill without the two sections that produced poor response would give a highly favorable result in all probability.

I, Chet Lee Uber, being first duly sworn upon my oath depose and say that I have read the foregoing and conducted said research and that the facts and matters contained therein are true.



Chet Lee Uber
owner, Uber Advertising

SUBSCRIBED AND SWORN to before me
this fourth day of January, 1983.



Notary Public for the
State of Montana residing
at 2-5-85
my commission expires:

PROPOSED AMENDMENT TO HOUSE BILL 184:

1. Page 1, line 23.
Following: line 22
Strike: "PRIZES"
Insert: "A prize"

1. Page 1, line 25.
Following: "MACHINE."
Strike: "THEY"
Insert: "A prize"

NAME Thomas W Maddox House Bill No. 568
P. O. Box 123 (1777 LeGrande Cannon Blvd.)
ADDRESS Helena MT 59624-0123 DATE 03/07/85
WHOM DO YOU REPRESENT Montana Association of Tobacco and Candy Distributors
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Comments, exhibit attached

Comments on Montana House Bill 568 for tobacco credit limits as for beer and wine.
By Tom Maddox, Montana Association of Tobacco and Candy Distributors (See next sheet)

Our group is comprised of small businesses. They appeal to you for relief from a problem which the state has helped to create. They need HB568.

With the tremendous increases in cigarette taxes the past two years, the independent Montana wholesale distributor is being squeezed between the manufacturer and the state.

The manufacturer requires that the wholesale distributor pay cash within 7 days (and, in practice, cash payment must be made in even less time). This is not a choice which you and I as individuals may have in our purchasing. You and I can have a choice — to buy or not to buy most things. You and I usually can obtain easy credit, liberal terms. The state-licensed wholesale cigarette distributor has no choice if he wants to stay in business — if he is to continue as a healthy producer of millions of dollars in sales taxes to his state.

Add to this pressure to pay virtually on a cash basis his state's law requirement to purchase state tax units and to affix tax indicia within 72 hours. This is in section 16-11-113. What other business is forced by law to prepay tax inventories or pay for expensive surety bond to protect the state?

Between the manufacturer, over whom neither he nor the state has control, and the state, where he has no control, the wholesaler in Montana is in a squeeze. This situation has grown to a point where it could drive less hardy businesses to the wall. Indeed, Montana wholesale distributors have been forced to quit in recent years, and there are relatively few survivors across Montana.

There's the further pressure, which lacks control. At present, the retailer has no discipline to encourage his cash payment, nor even prompt payment. A retailer who abuses credit extended to him, may, if pressed, simply transfer his business to another wholesaler until that wholesaler suffers the same costly delayed payments. Sometimes, such retailers quit business or sell out, leaving wholesalers at a loss for the products — and the substantial tax that he had to prepay.

The wholesaler is caught between his supplier and his state, but he cannot depend upon reimbursement of prepaid tax payments from retail outlets in a timely fashion. At today's interest cost of capital, such delays can prove deadly to any business.

The wholesale cigarette distributor is licensed as his state's agent to administer the delivery system for millions of dollars in cigarette sales taxes. Now he is in need of such statutory support as the state accords to beer and wine wholesalers

PRECEDENT for HB568 is already in the law books. First:
The state as the primary seller of alcohol wants cash payment from the Montana consumer. Extension of credit is not a question.

Second:

When Montana beer laws were written, the state's revenues were of great concern. So, the state regulates beer sales. Section 16-3-243 protects the state's flow of revenue — requiring that licensed beer wholesalers must collect beer tax and product cost within 7 business days. The Montana independent beer wholesaler's license is subject to loss if he does not toe the line.

This law is self-enforcing. There's no need for cost to the state. Any violator pays the expense if expense of enforcement is required, plus a penalty. On the retail side, there's no problem with beer, for it's cash up front.

Third:

When the legislature allowed private business to share wine sales with the state, the legislature followed the 7 — day beer credit limit statutes. Section 16- 3 - 406, subsection (2) and sub (6) prohibits extension of credit to the retailer beyond 7 days.

There are other parallels other than the need to protect the state's product sales tax delivery system. In its liquor business, the state warehouses products from out-of-state in a central warehouse. All cigarettes from out-of-state come to one Montana bonded warehouse. Distribution is made within strict controls set forth in our statutes. Transport of unstamped cigarettes is prohibited in general.

HOUSE BILL 568 IS IN HARMONY WITH THE PUBLIC INTEREST.

SECTION 16 — 10 — 102 states:

"IT IS THE POLICY OF THE STATE TO . . . MAXIMIZE AND PROTECT THE STATE REVENUES FROM THIS SOURCE (CIGARETTES)."

THE STATE'S FINANCIAL INTERESTS BEING AT STAKE, AS WITH STATE-CONTROLLED LIQUOR, BEER AND WINE, THE MONTANA ASSOCIATION OF TOBACCO DISTRIBUTORS RESPECTFULLY REQUEST THAT THIS COMMITTEE RECOMMEND THAT HOUSE BILL 568 BE CONCURRED IN.

(NOTE: The subject, being more complex than can be treated in the brief)
(foregoing presentation, and additional tobacco legislation pending in this)
(session, may be studied in the accompanying material, or it may be)
(preserved for reference. Additional statistical material is available upon)
(request.)

EXHIBIT A

SCHEMATIC ANALYSIS OF MONTANA CIGARETTE COST DISTRIBUTION:

The sketch or chart at right represents costs in a carton of cigarettes — 10 packs of 20 cigarettes each — of a major brand, with minimum costs computed by the Montana Department of Revenue, as of March 7, 1985 totaling \$9. 12.

Montana cigarette smokers contribute more of their purchase costs to government than to any other interest in the product.

Montana cigarette smokers pay \$3. 20 in sales tax on a carton. This represents 35 per cent of the consumer's purchase. The current sales tax has prevailed since 1983, i.e. \$1. 60 state tax, and \$1. 60 federal tax.

The Montana wholesaler is being squeezed with taxes which have increased out of all proportion to the otherwise nominal costs of the product. The Montana wholesale distributor must PREPAY taxes, and affix tax indicia on every pack within 72 hours under the law, PRIOR to sales — with collections of accounts weeks later in many cases (occasionally never).

For the	Percentage:	Cents rounded:
farmer, labor, costs of operations, including tax, USDA fees, marketing, return on investment (ROI).	19. 5	\$1. 78
For the manufacturer, including labor, costs of operations, taxes, return on investment	29.	\$2. 645
Transportation	1. 5	. 135
Wholesaler, labor, costs of operations, taxes, ROI	5%	. 45
Retailer: Costs of operations, taxes, ROI	10%	. 91
For the government taxes on sales	35%	\$3. 20

For publication as desired—all or any portion.

From the Montana Association of Tobacco and Candy Distributors (See further at end)

HELENA MT — Did you hear the one about the cigarette smoker who suffered a nightmare? Well, he went to his neighborhood store and asked for a carton of his latest favorite cigarettes. The clerk said, "That's \$6.21 for the cigarettes, sir, and, um-m-m, let's see, and another \$7.08 for the state-federal sales taxes." The smoker cried, "Oh, no, Can't be." The clerk was firm, "Yes, it is—tax to help reduce the federal debt; tax to balance Montana's state budget; tax to aid public schools, and for the teachers' pensions, tax to service the debt on state buildings, and there's more tax on smokeless tobacco to fix our city streets. ..."

The smoker groans, opens the carton and extracts a cigarette.

"Oh, sir. You can't smoke here," the clerk admonishes. "The legislature has outlawed smoking in public places."

Shocked, the smokeless smoker awakes at 4 a. m. , to the sounds of his own screaming. Finally, he dozes off again, until the sound of his telephone ringing brings him to wakefulness. "Hello," he answers.

"Good morning, sir," the caller says. "I'm calling to invite you to attend our new state-sponsored clinic on how to stop smoking. It doesn't cost you anything. The smokers' tax pays for it."

Does all that sound a little wierd to you? If it does, then you're not aware of what all is being proposed to those legislators we elected to congress and to the legislature in Helena.

The \$7.08 state-federal tax on a carton of cigarettes is the total tax being proposed in the smoker's worst real life scenario. At the federal level, a \$4 a carton federal tax is proposed; another proposal is for a mere 100 per cent increase from today's \$1.60 U. S. tax a carton. Then at least five bills in the

Based on the latest minimum costs computed by the Montana Department of Revenue, regular and king size cigarettes among major brands cost \$9.12 a carton. Of this Montana smokers today pay 35.1 per cent of this cost in state-federal tax on the sale.

Congress increased the federal tax 100 per cent in 1983 to \$1.60 a carton. Then the Montana legislature increased the state sales tax 33 per cent to \$1.60, to make the total carton tax \$3.20. (The carton size is used here because the state department calculates tax units on a carton basis. The Tobacco Institute reports about half of cigarette sales are by the carton of 10 packs of cigarettes.)

Governor Ted Schwinden has asked for the state tax to be increased 100 per cent within two years, to \$2.40 a carton in HB45. His bill beat another bill to the Legislative Council (HB120), which also asks for \$2.40 state tax a carton, for research into certain diseases. Senate Bill 442 states that even if HB45 is enacted, another 50 cents a carton is wanted, to help fund teachers' pensions. Whatever tax prevails, HB833 wants a cut of one per cent to fund educational programs on how to stop smoking, to be supervised by the state superintendent of public instruction.

State law defines a pack of cigarettes as containing 20 cigarettes. Now major manufacturers have produced a pack containing 25 cigarettes. So this has generated SB249 to tax each cigarette in excess of 20 in a pack at the rate of 1/20th of the base 20-pack tax. Thus, if the state tax is \$2.90 a carton of 20, the state tax would be \$3.04-1/2 for a pack of 25.

Montana started taxing cigarettes in 1957, and has increased the tax 700 per cent since then — before the 1985 proposals. Our record keepers report that cigarette smokers have paid the state in taxes \$256 million through 1984.

Smoker for smoker, they made their finest contribution to build state buildings in fiscal 1982. By then the state-federal tax rates had prevailed for several years, at \$2 a carton (\$1.20 for the state, 80¢ for the federal tax). They paid tax of \$11,649,438.

Some might think if the government doubled such tax, it would double revenue, say to more than \$23 million for the next fiscal year. Budget Director David Hunter's fiscal note on HB45 tells the legislature he expects doubling from 1982 should gross the state only about \$20 million. What happens to the missing \$3 million?

The Tobacco Institute of Washington, D. C., supports calculations showing a "loss" would ensue. Not only in tax, but the TI declares there would be further losses in businesses.

The institute adds:

"For Montana, a specific state econometric demand model indicates a possible sales decline of 3.76 per cent for every 8 per cent increase in the tax rate. Therefore, it could be expected that an addition of an eight cent excise tax increase to the current average retail price will lead to a decline in legitimate fiscal year '86 cigarette sales in Montana of about 3.41 million packs.

"This decline would probably consist of an actual cutback, combined with increased illegal purchases and interstate smuggling. As a result, legitimate wholesalers and retailers would experience significant revenue losses."

The Montana Association of Tobacco and Candy Distributors states that, "As sales of state-taxed cigarettes decline, there has been a substantial increase in cigarette purchases without the state tax from Indian reservation-based retail outlets, called 'smokeshops', on heavily trafficked highways. The Department of Revenue reports millions of dollars in losses, and rapidly escalating with the latest state cigarette tax increase."

The institute report goes on, "In other states where high cigarette taxes exist, the criminal element has become involved. If Montana were to raise its tax on cigarettes, the bootlegging problem will grow in proportion to the tax increase."

There is a statistical indicator to trends in purchases of cigarettes from legitimate or state-taxed cigarettes to purchases from stores which do not pay state taxes. A markedly lower per capita consumption is reflected in states with growing federal reservation sales, or with substantial smuggling from other states by individuals or organized crime. On the other hand, states with substantial cigarette sales for out-of-state consumption exhibit relatively higher per capita consumption figures.

A new Tobacco Institute report states, "Data for 1984 show that overall per capita consumption in Montana was 96.9 packs. The U. S. unweighted average per capita was 122.7 packs.

"Montana now is at a 4 cents a pack tax disadvantage with three or four surrounding states. Montana also recorded a per capita sales disadvantage with all four of its neighboring states. This comparison implies some potential smuggling of cigarettes into Montana from states with lower tax rates."

The institute reports that cigarette taxes provided 2.5 per cent of the state's 1983 total tax revenue and an impressive 12.2 per cent of the state's total sales and gross receipts tax revenue. Cigarette taxes generate more revenue for Montana than taxes on beer, liquor or wine, or utilities. It credits this data to the U. S. Bureau of the Census and the Montana Department of Revenue.

The nonprofit TI sees a direct impact on the state's economy. TI explains:

"Higher cigarette taxes affect revenue and work weeks in private sectors, both directly and indirectly involved in the tobacco industry within Montana. Most of these effects will be in the form of revenue losses to wholesalers and retailers.

"Higher cigarette taxes and the resulting decline in the purchase of tax-paid cigarettes will also reduce state revenue from other sources, such as corporate income tax, and individual income tax. For example, cigarettes are a traffic-builder for the state's thousands of retail establishments which sell cigarettes. When people reduce purchase of cigarettes, or turn to bootlegged cigarettes, the revenue derived from the sales and profits of other products suffers as in-store traffic declines."

The Tobacco Institute contends, "The Montana cigarette tax is already a regressive and inequitable tax. The cigarette tax discriminates against the estimated 200,000 residents of the state who smoke, but the tax falls most heavily on those least able to afford it.

"Because the percentage of income devoted to buying cigarettes falls as income rises, Montana cigarette taxes are already levied at higher effective rates on the disadvantaged and those on fixed incomes than on the more affluent. Any increase in the current tax rate will add to the tax burden on lower income groups and will contribute further to the overall regressivity of the state tax structure. An increase of 8 cents a pack would mean a 100 per cent increase in the tax in two years. . . .

"More than 21 per cent of Montana families have an effective buying income of less than \$10,000 a year. All told, nearly 36 per cent have incomes less than \$15,000. It is these families who will suffer most from the increase.

A family with an income below the poverty level with two average smokers pays almost five times as much of its income for the pleasure of smoking as does the more affluent family making \$25,000 a year.

"In addition, about 11 per cent of Montana residents are aged 65 or older. For these plus-65 persons, many of whom are living on a fixed income, any increase in the cigarette tax rate could threaten this affordable pleasure. A household in Montana with two average smokers pays \$350 in state-federal taxes on cigarettes a year. If the state were to increase its tax another 8 cents — a 50 per cent increase, that tax figure would soar to \$438 annually."

Some smokers may quit cigarettes, and turn to smokeless tobacco.

Some legislators have already thought of this. HB838 would increase the state tax on smokeless tobacco 100 per cent. This is earmarked: 25 per cent to build and repair city streets, 25 per cent for state aid to schools, and 50 per cent to be added to the service cost of bonded debt on construction of state building.

Finally, there's HB183 which would bar smoking in public places or provide a mandatory nonsmoking area. This squeaked through the House, 52 - 48, and now is in the Senate.

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The foregoing is submitted by Tom Maddox, former Associated Press bureau chief for Montana, and now executive director for the Montana Association of Tobacco and Candy Distributors, a nonprofit group of local independent, service wholesale distributors; P. O. Box 123, Helena MT 59624. Telephone (406) 442-1582.

NAME Michael W Parker, CPA House Bill No. 568
ADDRESS Box 25416, GT Falls, MT 59403 DATE 3/7/85
WHOM DO YOU REPRESENT Pennington's Inc., of Great Falls, Montana
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*SECRETARY, TREASURER - PENNINGTON'S, INC.
GREAT FALLS, MONTANA*

EXHIBIT 3
BUSINESS & INDUSTRY
March 7, 1985

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS & INDUSTRY

Date March 7, 1985 HOUSE Bill No. 223 Time 10:30 a.m.

NAME	YES	NO
Chairman Mike Halligan		X
V-Chrm. B. F. Christiaens	X	
Senator Paul Boylan	X	
Senator David Fuller	X	
Senator Delwyn Gage	not present	
Senator Pat Goodover	X	
Senator Allen Kolstad	X	
Senator Ted Neuman	X	
Senator Gene Thayer	X	
Senator Bob Williams	X	
Senator Cecil Weeding	X	

Carol Duval
Secretary

Mike Halligan
Chairman

Motion: Motion by Senator Christiaens TO TABLE House Bill 223.

Passed 9 to 1.

STANDING COMMITTEE REPORT

MARCH 7

19 85

MR. PRESIDENT

We, your committee on **BUSINESS & INDUSTRY**

having had under consideration **HOUSE BILL** No. **568**

third reading copy (blue)
color

7-DAY CREDIT LIMIT ON TOBACCO SALES
(Thayer)

Respectfully report as follows: That **HOUSE BILL** No. **568**

BE CONCURRED IN

~~XXXXXX~~

~~XXXXXXXXXX~~

Mike Halligan

Chairman.

STANDING COMMITTEE REPORT

MARCH 7

19 85

MR. PRESIDENT

BUSINESS & INDUSTRY

We, your committee on

HOUSE BILL

134

having had under consideration

No.

third

reading copy (blue)
color

ALLOW CASH BINGO PRIZES (Manning)

Respectfully report as follows: That

HOUSE BILL

No. 134

be amended as follows:

1. Page 1, line 23.

Following: line 22

Strike: "PRIZES"

Insert: "A prize"

2. Page 1, line 25.

Following: "MACHINE."

Strike: "THEY"

Insert: "A prize"

AND AS AMENDED

BE CONCURRED IN

~~XXXXXXXX~~

~~XXXXXXXX~~

Mike Halligan

Chairman.

STANDING COMMITTEE REPORT

MARCH 7

85

..... 19.....

MR. PRESIDENT

BUSINESS & INDUSTRY

We, your committee on.....

HOUSE BILL

266

having had under consideration..... No.....

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..... reading copy (.....)
color

**REQUIRE TAX PAYMENTS OVER \$500,000 TO BE MADE BY ELECTRONIC FUNDS
TRANSFER (Needing)**

HOUSE BILL

266

Respectfully report as follows: That..... No.....

BE CONCURRED IN

~~XXXXX~~
DO PASS

~~XXXXXXXXXX~~
DO NOT PASS

.....**Mike Halligan**.....

Chairman.