

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 30, 1987

The twelfth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on January 30, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 200: Senator Smith, Senate District 10, presented this bill to the committee. He said with the financial situation the state is in, the legislature is obligated to balance the state budget. We are operating with a \$27 million deficit this year and the legislature has not even addressed that issue. He was not in agreement with putting the fee system that is used now, in place in 1981, as it is not fair; everybody that owns property should be taxed fairly. When we put the present system in place there was a surplus of severance tax money in the general fund and they shared the wealth. The legislature did take vehicles out of the tax base and implemented the fee system and set up block grant programs from the oil revenue. Cities, counties and school districts would be fully funded from the block grant program. Presently the block grant program is \$21 million in debt. If the legislature can come up with \$21 million to keep the block grant program, then kill the bill. He said this bill will put a 2-1/2% tax on the wholesale value of vehicles. That is much better treatment than other property, they are getting taxed on the millage within individual counties. On new vehicles the person would get a 25% reduction the first year and then the second year the 2 1/2% would be implemented.

PROPOSERS: A. R. Hagens, City Commissioner, Great Falls, gave testimony in support of this bill. He said the issue of local government financing is one which the cities and counties have been struggling with for several years. In Great Falls they have reduced the number of employees in the past 10 years by 24% and have automated, mechanized and computerized, but good management has not been enough to offset the continued erosion of their tax base. With the passage of SB 200 one piece of the puzzle could be in place, an equitable means of taxation.

Toni Hagens, Montana Association of Counties, gave testimony in support of this bill. He said he could not emphasize enough how important this bill is to local governments. It is absolutely necessary to make up for the losses to local government from the flat fee system over the past few years. MACO has worked hard to come up with a workable compromise, one that would correct the inequity, provide the needed funding for local government and free money for the state. We have no other sources, we have made cuts and are almost at the point where it is impossible to make further cuts and carry out our responsibilities. The revenue from this bill is desperately needed.

Ray White, Commissioner, Gallatin County, gave testimony in support of this bill. He said the fee system has not been adequate or equitable. The block coming from the state is distributed within the counties among the various taxing jurisdictions. These jurisdictions eventually constitute a percentage. Some districts have ended up with less of the grant block money and some have ended up with more. This bill will distribute the money in a fair manner based on wherever that vehicle is located. After reading the bill, he would ask that the reference to county treasurer, concerning assessing, be changed to county assessor. It is the duty of the county assessor to do the assessing and the treasurer would not want to get into that field. This will give more money to operate with and take the responsibility away from the legislature to fund the block grant program.

Dennis Flich, Commissioner, representing the city of Billings, gave testimony in support of this bill. He said Billings has grown in terms of population over the past several years. We cannot absorb further reductions in revenue without serious implications. He said we are below the 70% level on reductions and at a situation in which we will be forced to cut back essential job services to our residents unless SB 200 is passed.

Don Peoples, Butte, gave testimony in support of this bill. He said we will have a 50% decrease in our budget this year if something is not done. If SB 200 is put in place, there will be some possible chance of growth in the future. We are still concerned that the revenue losses will be substantial but this at least cuts our losses.

Alec Hansen, Montana League of Cities and Towns, gave testimony in support of this bill. He said our organization has identified this bill as our principal priority this legislative session. The block grant program can't be fixed

and needs to be replaced and this bill will do the job. This bill is a simple, direct taxing system. Vehicles will be taxed on their value and the tax is in no way connected with the mill levy. He said this is not a new idea, this is a law that has been applied in several other states.

Phil Campbell, Montana Education Association, gave testimony in support of this bill. He said almost 60% of the money at the local level is for schools. This bill will help considerably in that light.

Gordon Morris, Executive Director, Montana Association of Counties, gave testimony in support of this bill. He said there are a lot of people here in support of this bill and he would just like to go on record in support of this bill.

Dick Michelotti, Cascade County Treasurer, gave testimony in support of this bill. He said with the Department of Justice making changes in their new computer programs for motor vehicles, the NADA manual can be incorporated in our system now.

Marian Olson, Montana Assessors Association, gave testimony in support of this bill. She said they support this bill but request that it be amended to have the assessors doing the assessment of the motor vehicles instead of the county treasurers.

Allen Jacobsen, Flathead County Commissioner, gave testimony in support of this bill. He said in looking at this bill about 58% of the money is to go to schools, 21% to the counties, 13.5% to the cities, 4.9% for other tax jurisdictions and the balance of 2.6% to the state. He would like to point out, when budgeting on the local level, about 60% of the money that is spent is spent for education on the local level. This is a progressive tax and he feels very strongly that a progressive tax is needed with motor vehicles.

Cort Harrington, Montana County Treasurers Association, gave testimony in support of this bill. A copy of his testimony, with proposed amendments, is attached as Exhibit 1.

Fritz Tossberg, Chairman, Ravalli County Board of Commissioners, stood in support of this bill.

Ray Hargin, Lake County Commissioner, stood in support of this bill.

Carol Mosher, Montana Cattlemen and Montana Stockgrowers, stood in support of this bill.

Gloria Paladiovick, Richland County Treasurer, gave testimony in support of this bill. She said taxpayers don't mind paying a tax as long as it is fair. The system we are presently under is not fair.

Jim Halverson, Commissioner, Roosevelt County, gave testimony in support of this bill. He said this bill intends to do away with the block grant program which the state can no longer afford to fund.

Attached as Exhibit 2 is an information sheet from the Montana Association of Counties.

OPPONENTS: Donald R. Tuttle, a Montana Good Sam member, gave testimony in opposition to this bill. A copy of his testimony is attached as Exhibit 3.

Lloyd Anderson, East Helena, gave testimony in opposition to this bill. He said we don't mind paying taxes if it is fair. Right now less than 1% of the RV owners in Lewis and Clark County go out of state to license their rigs. If the tax gets too high for these retired people, they will just go out of state to license their vehicles.

Frank Schledorin, State Manager, Holiday Rambler RV Club, gave testimony in opposition to this bill. His statement is attached as Exhibit 4.

Ben Vaughn gave testimony in opposition to this bill. He said he has a motor home and the average number of days that an RV is used in the United States is 25 days per year. He does not agree with this increase for RV's because most of the owners are retired people on a fixed income. Many people in the state benefit from RV use, service stations, gas stations and the trailer parks for these vehicles throughout the state. Usually an RV only gets 5 or 6 miles to the gallon. He feels that they are adequate where they are in paying taxes.

Keith Anderson, Montana Taxpayers Association, gave testimony in opposition to this bill. He furnished the committee with a clipping from the Independent Record concerning the fees paid currently. See attached Exhibit 5. He said this does not put motor vehicles back

into the tax base, it is just simply a method comparable to the fee schedule now. He questioned who would pay more or less in taxes as far as this bill is concerned. Essentially people who drive medium or larger cars will have an increase in taxes. With the economics of the automobile industry as it is, he does not think the legislature should establish incentives for people to buy smaller cars. A motor home valued at \$25,070 and taxed like a residence would be taxed \$407.00. Under this bill the tax would be \$627.00 for that motor home. The taxes on residential property of the same value, using an average mill levy of the 9 largest cities and towns in Montana, would be 62% higher under this bill. He thinks this bill will result in a loss of sales in Montana.

Tom Harrison, Montana Automobile Association and Montana Automobile Dealers Association, gave testimony in opposition to this bill. He said this bill, combined with the gas tax passed in the House, will amount to an increase of \$35 million to be placed on the motoring public. This is equivalent to a 10% income surcharge without addressing an income tax increase. He does not think that is addressing the message of I-105.

Richard Llewellyn, Montana Manufacturers Housing Association, gave testimony in opposition to this bill. He said the people who own, buy and use recreational vehicles, are the people who can least afford to pay a major tax increase. Our industry study shows these people are of a medium age of 55 and are retired people on a fixed income. They could very easily license these vehicles in the state of Oregon or the state of Arizona for \$99 or less.

Representative Norm Wallin, House District 78, gave testimony in opposition to this bill. He has been a member of the Montana Automobile Association since 1946. During those years the association worked for many causes, better roads, uniform dealer licensing laws and a uniform automobile fees system. In 1981 the legislature passed legislation and the mechanics of that legislation has worked very well. The system we have now is simple and easy to compute the fee.

George Swords, representing the Montana Housing RV Industry, gave testimony in opposition to this bill. He said RV's are used an average of 21-25 days per year and for that reason he does not think it is fair to tax them in the same category as cars. He thinks this would be an excessive tax increase.

Greg Groepper, Administrator, Property Assessment Division, Department of Revenue, said he did not have a position on this bill but he does have some technical comments. He agrees with the people who testified concerning changing the assessing responsibility from the County Treasurer in the bill to County Assessor. Obviously this will cost some money to start this procedure and they would be willing to work with the committee and the Department of Justice. He is not sure if the fiscal note addresses the July 1 start up date. If this starts this year he would need more NADA books and there would be a supplemental needed.

QUESTIONS FROM THE COMMITTEE: Senator Eck said she noticed a couple of people referred to the records and the system of the Department of Justice. She asked Larry Majerus to explain.

Larry Majerus said they did some research in anticipation of this bill to determine what could be done with their renewal notice system. The Department of Justice has on tape a table that could be incorporated into the present motor vehicle system. This tape would read the VIN number and would give the appropriate value and that would be multiplied by 2-1/2%. There is some difficulty with the July 1st date in incorporating that into our system. Also, they anticipate they would only be able to do about 80% of vehicles. To his knowledge, the RV's and motorcycles are not yet available on tape. You can only get those in the used car guide.

Senator Severson said he did not think in drafting this bill that there was any intention of increasing the amount of money received in revenue by this tax. He thinks the 2-1/2% was pulled out of the air in relation to a similar bill during the special session that was 2% of retail and that would bring in about the same amount of money. According to the way he reads the fiscal note, he sees an increase in revenue of \$11.7 million. He thinks we need something that is revenue neutral. He thinks the purpose of this bill is to bring about a fairer collection of taxes as far as vehicles are concerned as a straight percentage of what that vehicle is worth.

Greg Groepper said he could certainly come back to the committee with a figure that is closer to revenue neutral.

Senator Severson said they should look at the bill before the percentage is changed.

Senator Smith closed by stating this bill isn't what he wants to do but what the legislature has to do. The RV owners stated they only used their motor homes a few days during the year. He purchased a new baler and paid a lot more tax on his baler than they pay on an RV and was not able to use that baler one whole year because of the drought.

Hearing closed on SB 200.

FURTHER CONSIDERATION OF SB 45: Ward A. Shanahan presented testimony furnished by Roncor, Inc., in opposition to SB 45. This testimony is attached as Exhibit 6.

Mary Bielenberg, Hamilton, Montana, gave testimony in opposition to this bill. A copy of her testimony is attached as Exhibit 7.

Meryn Righdel, Eldorado Sapphire Mine, gave testimony in opposition to this bill. A copy of his testimony is attached as Exhibit 8.

Grace Hess, Gem Mountain Sapphire Mine, gave testimony in opposition to this bill. A copy of her testimony is attached as Exhibit 9.

Russell Thompson, Castles Sapphire Mine and Gold Fever Rock Shop in Helena, gave testimony in opposition to this bill. A copy of his testimony is attached as Exhibit 10.

Senator Williams closed.

ADJOURNMENT: The meeting adjourned at 10:00 A.M.


SENATOR McCALLUM, Chairman

ah

ROLL CALLTAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-30-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE

1-30-87

COMMITTEE ON

Senate Taxation

VISITORS' REGISTER

SB 200/SB 45

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Ben Vaughan	Montezuma, Arizona	200		✓
Lloyd Anderson	G.S. Holiday	SB 200		✓
DEWALD R. TUTTLE	MT. Good Sam	SA 200		✓
Irving Holm	Mt Good Sam	SB 200		✓
Vincent J. Holm	Mt. Good Sam	SB 200		✓
Barbara Tuttle	Mt Good Sams	SB 200		✓
Lee Ollerman	MAYOR GLENDOVE	—		—
Wendy Burgen	MT C. Williams Assoc	SB 200		—
Det. Phil Hise	Jurgens Co. Commissioner	200		—
Alan Taylor	City of Billings	SB 200	✓	
Jim Van Arsdale	—	SB 200	✓	
Karl Lang	City of Billings	SB 200	✓	
George W. Swartz II	M M H A	SB 200		✓
Richard J. Michelath	Cascade County Treasurer	SB 200	✓	
Dennis Flich	City of Billings	SB 200	✓	
Bill Papp	RV DEALER	SB 200		✓
Gloria Paladino	Richland Co. Treasurer	"	✓	
Robert Mullen	Richland Co. Commissioner	"	✓	
Robert A. O'Brien	Biggs Art & Web	"		✓
Ray Nakom	HAKE Co. Comm	200	✓	
BERNT WARD	Sheridan Co. Comm	200	✓	
Frank Schoderer	Holiday Rambler RV. Club	200		✓
Rock Marble	MOORE	45		Technical
John A. Whitman	Srs. Pro.			
Jim Halverson	MACO Roof Co		X	
Ernest Morris	MACO	200	X	

DATE January 30, 1987COMMITTEE ON Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Don Ingels	Mt. Chamber of Commerce	200		✓
Ray White	Yuk. Co. Comm.	200	✓	
Marian Olson	Mt. Assessor Assoc.	200	✓	
Pat Leavelle	MMHA	200		✓
John Walburn	City Columbia Falls	200	✓	
Allen G. Jacobsen	Flat County Comm.	200	✓	
Howard Jones	" " "	200	✓	
A. R. (Tom) Hagener	MACO	200	✓	
Lois M. Mosher	Mont. Stockgrowers Mt. Cattle Women	200	✓	
Janet Jessup	City of Helena	200	✓	
Al Sturges	" " "	200		✓
Connie Daniels	Anaconda / Deer Lodge Co.			
BEN TROSE	" " "			
JEFF MOTHERSHEAD	GALLATIN CO.	200		
RAMONA TOW	City of GLASGOW	200	✓	
Wilmer Zeller	City of Glasgow	200	✓	
Jane Jelenki	Gallatin Co.	200	✓	
Don Schreiner	Helena	200	✓	✓
Bruce Krugler	Helena	200		
Intz Lohberg	HAMILTON	200	✓	
JANE FIGEROA	HELENA			✓
Don Pease	Bunk	200	✓	
Mrs. Hume	MLCT	200	✓	
Nowell Anderson	Mt. Dept of Commerce			
JIM MANION	MT. AUTO ASSOCIATION	200		✓
Ann Mary Plummer	MAHO - Missoula Co.	200	✓	

(Please leave prepared statement with Secretary)

DATE January 30, 1987

SB 200 Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo:
Rep. Normy Wallis	Mod. Auto Shrs	200		X
Emil C. Jendell	Good Sams	200		X
Maryn Reynolds	Elorado Supply Mre	45		X
W. L. W. W. W. W.	Ho			
Ward Shuman	Row Cor	45		X
S. Keith Anderson	Mon Tax	200		X
Mary D. L. L. L.	myself	#45		X
L. L. L. L.	Gem Mountain	#45		X
Grace Hess	Gem Mountain	#45		X
Wm M. Johnson	Johnson Jewelers.	#45		X
Beverly Tyson	Treasure State Trading	#45		X
Clatus Sappelt	my self	#45		X
Russell M. Thompson	Gold Fever Rock Shop	#45		X

(Please leave prepared statement with c-)

SENATE BILL 200
TESTIMONY OF MONTANA COUNTY TREASURER'S ASSOCIATION

Senate Bill 200 provides that the County Treasurers shall assess the motor vehicles.

Assessing property is not traditionally one of the duties of the County Treasurer. Section 7-6-2111, MCA, sets forth the duties of the County Treasurer. Those duties include among other things, the duty to collect money belonging to the county, or to collect money as directed by law on behalf of other taxing jurisdictions. The County Treasurer deposits money collected into the appropriate account and generally keeps track of the amount collected and the amount dispersed. The duty of assessing property on the other hand has traditionally been with the county assessor.

The County Treasurers Association fails to understand the rationale for deviating from this past practice concerning the assessment of property, and therefore, objects to the deviation.

Another concern of the County Treasurers, apart from the objection to being assigned a duty that traditionally has been exercised by another county official, is Article VIII, Section 3, of the Montana Constitution. That Section provides,

The State shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.

In order to comply with the constitutional requirement that the assessment take place on the state level, the Legislature provided that the county assessor is an agent of the Department of Revenue. This bill does not provide that County Treasurers are agents of any state agency. The bill therefore has constitutional problems which could be eliminated by returning the duty of assessing the property to the county assessor or by making County Treasurers agents of the state. The County Treasurers Association would strongly object to any attempts to make them agents of the state.

SENATE TAXATION

EXHIBIT NO. 1

DATE 1-30-87

BILL NO. SB-200

For that reason the County Treasurers Association would propose an amendment to Senate Bill 200 as follows:

1. Page 11, lines 14 ,
after: "or the county"
strike: "treasurer",
insert: "assessor (or Department of Justice)"

2. Page 62, line 18,
following: "by the county"
strike: "treasurer",
insert: "assessor (or Department of Justice)"

3. Page 63, line 7,
following: line 6,
strike: "treasurer",
insert: "assessor (or Department of Justice)".

4. Page 63, line 18,
following: "the county",
strike: "treasurer",
insert: "assessor (or Department of Justice)".

5. Page 63, line 24,
following: "county",
strike: "treasurer",
insert: "assessor (or Department of Justice)".

6. Page 64, line 2,
following: "the vehicle is registered.",
strike through line 5.

7. Section 36 deals with vehicle registration by mail. It may be appropriate to amend Section 36 to require the Department to assess the vehicle.

The County Treasurers Association will work with the sponsor, the committee, and the committee's staff in preparing any additional amendments to address the County Treasurers' concerns.

WILLIAM J. HARRIS

WILLIAM J. HARRIS

3740

ON JULY

MONTANA ASSOCIATION OF COUNTIES

1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

SB 200 - REPLACE VEHICLE FEE SYSTEM

When vehicles were on the tax rolls, before 1982, they were assessed considerably more than they are currently on a flat fee basis.

The loss of tax revenue for, or to, local governments just from 1981 to 1982 was \$27,105,792. The Local Government Block Grant program replaced approximately \$16,500,000, resulting in a net loss of \$10,605,792 in the first year of the change over. This situation has continued.

COMPARISON: FLAT FEE SYSTEM/BLOCK GRANT TO AD VALOREM SYSTEM

A. 1987 Flat Fee Estimated Collections	\$ 28,405,235
1987 Fully Funded LGBG	<u>\$ 17,875,000</u>
TOTAL	\$ 46,280,235
B. 1987 Vehicle Fleet - Estimated Value	\$2,083,639,000
Assumed taxable value @ 13%	270,873,070
Revenue Generated @ 256 mills	\$ 69,343,506

Conclusion: If vehicles were still on the Ad Valorem system, schools, cities and towns, counties and other taxing jurisdictions would share \$ 69,343,506 compared to funding as set forth in A \$ 46,280,235 resulting in:
Loss to local governments of \$ 23,063,271

Using the assumptions in B, and applying the tax recommended under SB 200 the following would apply:

Market value fleet	\$ 2,083,639,000
Average trade-in value at 80%	\$ 1,666,911,200
2.5% tax	41,672,787
Compared to current flat fee	28,405,235
Increase on vehicles	13,167,552

MACo

SENATE TAXATION

EXHIBIT NO. 2

DATE 1-30-87

BILL NO. SB-200

DATE 1-30-87BILL NO. SB-200

Montana MA. CHAMBERLAIN and Members of the Legislation Committee

~~DO NOT~~ ~~LET~~ ~~FOR~~ MT. STATE DIR MT. G. S

I'm here ~~to~~ Representing 3500 members in the STATE

I'm here to speak against SB-200

1. 75% of These members ARE RETIRED AND many of These ARE on FIXED income
2. These People have worked for many years to obtain these Recreational Vels. so they can enjoy this way of life. In Mt. they can only use the Vels for 5 to 6 mo.
3. This bill would in many cases ~~be~~ triple or more the cost of Licensing of these Vels.
4. In ~~my~~ Case I have checked on ^{the wholesale value} my ~~1985~~ ~~motor home~~ and it will cost me \$600 more than I'm paying now.
5. And if this bill is passed. It ~~might~~ Probably force retired people to seek Licensing out of State. I feel the present fee is a just way of Licensing Vels.
6. A The Good SAMS OVER The years HAS The State SAVE money. By Cheating up Camp Grds every year before they open for The camping season. Members TAKE A week-end to Sand + Paint Tables - Benches and Biffeyes - ALSO repair what is needed to repair. And also Volunteer for Camp. And. Heat
- B They help Fish + Game surviving people that Float + Fish on Rivers in the STATE. Some members even pick up

~~Lars Bergstrom Registration~~
~~Busse Art Not Card~~

With our members doing this work. we save the state some money. If we didnt do this work. The state would have to people do it. and that would cost money

- C. Also the Good Sam sponsor the law enforcement torch Run for Special olympics.

We used our Motor Homes last year. Traveling across Montana at 8 miles p.h. we spent money out of our pockets for gas. We was glad to do it. And we are going to do it again this yr.

- D. Im telling you this to let you know that the Good ~~Sam~~ does more then just go camping. And that we are here to help people that needs help.

- E. Now we are asking the Taxation Committee to help us. we are saying please reject this bill.

- F. I want to thank you for listening to me.
May you have a nice day And God bless you.

NAME: FRANK J. SCHLEDORN DATE: JAN. 30 - 1987

ADDRESS: 1208 - No. 8th Ave Bozeman, Mt.

PHONE: (406) 587-4197

REPRESENTING WHOM? Holiday Rambler Rec. Vehicle Club

APPEARING ON WHICH PROPOSAL: SB #208

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENTS: Represent approx 70 Holiday Rambler vehicle
owners in Mt. Many members out-of-state for
winter travels - These owners in state wish to express
their concern about a potential 4-fold increase in
cost of registration for a part-time use vehicle.
High mileage cost vehicles that pay a lot of gas taxes
when operated. Retirees on fixed incomes that
travel out-of-state much of the time.

Owners will have to explore options - Sell the
unit - Look at alternatives to Mt. State Registration
Don't tax the RV business out of business.
Ask the Legislature to also look at alternatives to
increased property tax

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Did not have time to prepare statement

Got copy of bill @ 4:30 yesterday

SENATE TAXATION

EXHIBIT NO. 4

DATE 1-30-87

BILL NO. SB-200

REMINDER VEHICLE OWNERS VEHICLE FEE SCHEDULE FOR 1987 RE-REGISTRATIONS ONLY

SENATE TAXATION

EXHIBIT NO. 5

DATE 1-30-87

BILL NO. SB-200

MONTANA LAW REQUIRES ALL VEHICLES TO CARRY LIABILITY INSURANCE

Registration of your vehicle is determined by year and weight

	(028) UNDER 2850 Lbs.	(030) OVER 2851 Lbs.	
PASSENGER CARS			
1987 to 1983	\$105.50	\$136.00	
1982 to 1980	63.50	82.50	
1979 and Older	23.50	35.00	
MOTORCYCLES	UNDER 200cc	201cc to 749cc	750cc & over
1987 to 1985	\$20.00	\$44.00	\$84.00
1984 to 1981	12.00	24.00	44.00
1980 and Older	8.00	14.00	24.00

SNOWMOBILES

TRAVEL TRAILERS

1987 to 1985	\$24.50	1987 to 1985	\$44.00
1984 and Older	17.50	1984 and Older	19.00

MOTOR HOMES

ALL ARE OVERWEIGHT

1986	\$212.50
1985	192.50
1984	157.50
1983	112.50
1982	87.50
1981	62.50
1980	37.50
1979 and Older	27.50

	(028) UNDER 2850 Lbs.	(030) 6M GVW OVER 2851 Lbs.	8M GVW 10,000
TRUCKS			
1987 to 1983	\$118.00	\$143.50	\$148.50
1982 to 1980	76.00	90.00	95.00
1979 and Older	36.00	42.50	47.50

If your Vehicle is a pickup under (1) Ton it is also taxed under the flat fee system. All trucks are required by state law to carry Gross Vehicle Weight (GVW). 6000 lbs. is the minimum GVW. Add \$10.00 for all 10,000 lbs. GVW.

OWNER'S CERTIFICATE OF REGISTRATION AND PAYMENT RECEIPT

Current Plate 05-0000		Year 85	Type PC	Make FORD	Model THUR	Style 2D	Color RED
EXPIRATION DATE 12/31/86		Vehicle Ident/Motor No JH11275896340			Title Number K8743		
Tab No 4678	Gas (1) Diesel (2) LPG (3) 1	Equip No	Unltd Wt (030)	Ton's W, ETC			
Registered Owner's Name and Address James & Betty Doe # 4 Main St. Helena Mt. 59601							
Lienholder's Name and Address				Lien Amount			
Val'd by	Market Value	Taxable Val	School Dist #	Mill Levy	Co		
	Flat Fee		1		5		
Treas or Dep 1	I CERTIFY UNDER PENALTY OF LAW THAT THIS VEHICLE IS INSURED AS PRESCRIBED BY MONTANA STATUTE TITLE 67, CH 8 PART 3 MCA			Signature of Registered Owner X			
Date issued 1/4/86	LEGAL DOMICILE ONLY - OUT OF STATE REGISTRATION INFORMATION						
Legal Domicile	Out of State	Title No	State		Zip		
REGISTRAR'S COPY MONTANA				-VOID -		00963352	

GVW, LICENSE CLASS	
100%	75%
55%	3%
SCH. 3	
GROSS WT	Lbs
EXPIRES	
FEES PAID	
GVW Fee	
New Use Tax	
MV Fee	109.00
Co Tax	7.00/7.50
Reg Fee	10.00/2.00
Title	
Junk Vehicle	.50
FW & P	
Co Total	136.00
Title	
Lien	
Pers Plate	
Dup Plate	
TOTAL	136.00

PLEASE RETURN YOUR BLUE OR GREEN RECEIPT WITH YOUR CHECK

* Your re-registration fee is due no later than 25 days from expiration date. An additional \$5.00 fee for all personalized license plates must be added to fees shown. If applying by mail, add 75 cents for postage and handling. Mail to Lewis and Clark County Treasurer, Motor Vehicle Department, P.O. Box 557, Helena, Montana 59624.

(Helena Independent Record)

NAME Ward A. Shanahan BILL NO. SB 45

ADDRESS 301 First National Bank Building, Helena DATE 012787

WHOM DO YOU REPRESENT Roncor, Inc.

SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

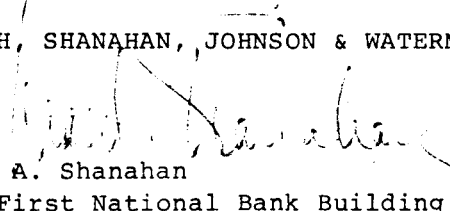
Comments:

I am an attorney in Helena, Montana representing Roncor, Inc., the owner of the Yogo Sapphire Mine near Lewistown. I will make an oral statement to the Committee on behalf of my client and I submit herewith the written testimony of the President of Roncor, Inc., Mr. Ron Kunisaki of Oxnard, California. Attached to this material are references to previous legislative history about this mine. We will furnish detailed information upon request.

This bill is punitive with respect to a single mine in Montana. My client repossessed the mine in 1986. It is not only punitive to increase the taxes on this mine at this time, but is a substantial increase in taxes for an already heavily taxed operation. This bill may insure that this mine will never reopen.

Respectfully submitted.

GOUGH, SHANAHAN, JOHNSON & WATERMAN


Ward A. Shanahan
301 First National Bank Building
Helena, MT 59624
406-442-8560

SENATE TAXATION

EXHIBIT NO. 6

DATE 1-30-87

BILL NO. SB-46

SENATE TAXATION

EXHIBIT NO. 6DATE 1-30-87BILL NO. S.B. 45T E S T I M O N Y
OF

Ronald H. Kunisaki, President
RONCOR, INC.
2056 S. BARRINGTON AVENUE
LOS ANGELES, CA 90025
(213) 478-1522

RE: SENATE BILL NO. 45
INTRODUCED BY: Senator Williams

JANUARY 23, 1987

I. INTRODUCTION

Roncor, formerly Sapphire International Corporation (SIC), is the current owner of the Yogo Sapphire Mine of Utica, Montana.

Roncor owned and operated the Yogo mine in the early to mid-1970s. Like her many predecessors who failed before her (approximately 11), Roncor dreamed over-optimistically of unlocking the fabled riches of the Yogo deposit.

After losing over \$2 million pursuing this Yogo dream and coming to the brink of financial disaster, Roncor leased the Yogo mine in the late 1970s to Victor di Suvero who likewise lost substantial monies pursuing the illusive Yogo dream.

In 1980, the mine was sold to a group of investors headed by Harry Bullock and did business as Intergem, Inc. As a publicly-held company, Intergem was, and still is, subject to independent audits. Such audits have confirmed Intergem's loss of several millions of dollars pursuing the Yogo dream.

Last Spring, Roncor regained possession and ownership of the Yogo mine after Intergem defaulted on its note payments.

In light of the tremendous importance of this bill to Roncor, I regret that Roncor's very limited financial resources cannot permit me to testify before this committee in person. Roncor is a small company focusing its entire energies on re-developing the Yogo mine and making it profitable. Roncor's longterm objective is to persuade a large commercial mining company to join Roncor in her pursuit of unlocking the Yogo deposit.

My testimony is only intended as a summary and highlight of all prior information and testimony given by former owners of the Yogo mine. As such, I am submitting my entire file on Senator Williams' gross proceeds tax efforts (See Appendix A) with a view to providing this Committee a detailed factual history of the entire matter.

II. DETAILED DISCUSSION

The fabled vast Yogo reserves have been protected by an illusion that the Yogo can easily be mined and sold at huge profits. History has proven the reality of the Yogo business to be a very complex, speculative and unprofitable one.

Unfortunately, this illusion has created many misperceptions that have led to unfair and unrealistic dreams and expectations. Over the past 60 years, 14 different companies have lost millions of dollars relying on this illusion. Furthermore, Montanans have developed unfair/unrealistic expectations based on this illusion.

The primary purpose of my testimony is to assist this Committee in understanding the true nature of the Yogo business. Intergem's media hype and the misperceptions of residents living near the Yogo mine, have caused much of this misunderstanding. My testimony is based upon documented and factual financial data that will bring this illusion back into line with reality.

Upon review of my testimony, I am confident this Committee will better see how to realistically work with Roncor to increase tax revenues and why Senate Bill #45, which is unworkable because it is based on the illusion discussed above, will ultimately lead to a decrease in tax revenues for Montana.

The reasons for each corporate failure may in some part be specific to the venture; however, one common thread running through all past failures is that all of the companies were unable to mine at a low enough cost and sell the sapphires at a high enough price to make a profit. More specifically, the difficult nature of the Yogo business is as follows:

1. FOREIGN DOMINANCE OF SAPPHIRE MARKET

The major competition of Yogo sapphire comes from abroad where it can be well documented that foreign mining costs are but a mere fraction of the Yogo mining costs. As a result, the low price of these foreign sapphires have permitted them to capture 99% of the world sapphire market. For example, the wholesale price of a 1 carat Yogo is approx. \$1,400. In comparison, the wholesale price of a foreign 1 carat sapphire starts as low as \$15.

2. LIMITED YOGO MARKET : MONTANA

At this time, the Yogo is only able to command its necessary premium price in the Montana market. To be competitive elsewhere, Roncor must reduce its price by 25-30%. The reality of this forced Intergem to become vertically integrated from mining to jewelry sales in an attempt to capture enough profit to stay in business. However, even such vertical integration did not provide enough profit for Intergem to avoid failure.

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3. ONLY APPROX. 5-10% OF ROUGH YOGO CARAT RESULTS IN CUT AND MARKETABLE YOGO GEM

Depending upon where and how mining is done, only 20 - 50 percent of the Yogo production is usable gem quality. As a commercial miner the production yield is closer to the lower end of this 'usable' percentage range. Intergem illustrated the financial nature of their Yogo mining in their Feb. 12, 1985 testimony. (See Page 4-6 Of Intergem Testimony of 2/12/85.)

This past summer, Roncor selectively tested pockets of Yogo ore that led to yields higher than Intergem. It is very questionable whether these higher yields can be achieved in a large commercial mining operation. Nonetheless, Roncor's 'Best Case Scenario/Yogo Financial Summary' is presented in Addendum B.

Upon review of Addendum B, this Committee will see how slim the Yogo profit margins are given the status quo tax scenario and the 'best-case' yields with 100% sales in and at Montana prices.

Senator Williams' justification for Senate Bill #45 is that millions of dollars in Yogo profits have been made, and that Montana has not equitably benefited from such Yogo profits under the current net proceeds tax. Senator Williams' justification is suspect and fails for the following reasons:

1. The failures and financial disasters of the past 14 Yogo owners create a very strong presumption that Yogo profits have not been made for over 60 years. Senator Williams has never offered facts sufficient to even begin rebuttal of this presumption.
2. The current net proceeds tax is only 1 of 3 existing mining taxes. The Resource Indemnity Trust Tax and the Metalliferous Mining Tax are essentially gross severance taxes that compensate Montana for the severance of a natural resource. Past Yogo owners have payed significant amounts for these two taxes. As such, contrary to the representations of Senator Williams and Judith Basin County Commissioners, Montana has directly benefited from tax revenues generated by the Yogo. While the current net proceeds tax is designed not as another gross severance tax, but as a tax on profits, Senate Bill #45 would in effect be another gross severance tax.

Please understand that even the current net proceeds tax is onerous in its burden of requiring payment on rough carat inventory well before it can be sold and a profit be made. The net proceeds tax must be payed regardless of whether the Yogo is usable/gem quality, and in advance whether the Yogo is ever sold for a profit.

It is with the above-discussed financial limitations of the Yogo in mind that past owners have agreed to a \$4 per rough carat valuation. If Senate Bill #45 is to be realistic and workable, then the following amendments must be made:

- a. The valuation of Yogos per carat must be adjusted down to reflect the real financial nature of Yogos;
 - b. The definition of a "Gemstone" must be refined to not include the 50-70% of Yogo production that are not usable/gem quality; and,
 - c. The tax can only become due and payable after sale of the Yogo is made, the profit of which will enable payment of the tax.
3. Separate from the net proceeds tax, Montana has derived the following benefits from the Yogo:
- a. Gross Severance Taxes
 - i. Resource Indemnity Trust Tax
 - ii. Metalliferous Mining Tax
 - b. Property Taxes
 - c. Tourists Revenues
 - d. Jobs
 - e. Retail Sale of Yogo Jewelry
 - i. Millions in annual sales
 - ii. Hundreds of jobs and businesses
4. Without sufficient profit possibility and incentive, no commercial mining company will take on the Yogo mine. History has proven that Yogo profits are highly speculative given even the current tax scenario. To increase taxes with Senate Bill #45, would likely force Roncor to either close down the Yogo mine or operate as a small "mom and pop" mining company. Either alternative would likely decrease tax revenues and the indirect Montana benefits listed above in 2 a-e.
5. Senator Williams' testimony last year is tainted with an obvious hatred and distrust for Mr. Bullocks. In fact, last year a number of Senator Williams' own constituents approached him hoping for an intelligent discussion concerning his proposed 'gross mining proceeds tax'. Instead of intelligent discussion, the constituents got a very heated sermon about the evils of Mr. Bullocks and Senator Williams' made it clear he would get even with Mr. Bullocks.

FROM KIVO INTL INC

1.27.1987 14:26

SENATE TAXATION 1

EXHIBIT NO. 6

DATE 1-30-87

BILL NO. S.B. 45

Additionally, Senator Williams' admitted in his testimony last year on Senate Bill #280 that his efforts were and are aimed solely at the Yogo mine. Not only is the Yogo mine the only Montana mine known to be capable of producing more rough carats per year than the minimum exempted amount, but the Yogo mine is also the only company mining gemstones in Montana according to the Feb. 2, 1985 report of Montana Budget Director, David L. Hunter. Singling out the Yogo mine is highly inequitable.

I encourage and request this Committee to not allow Senator Williams' personal vendetta to taint its sound economic judgment regarding what is best for Montana.

Understanding now the true financial limitations of the Yogo, I am confident this Committee can see how Senate Bill #45 is unfair, unrealistic, unworkable and damaging for Montana.

III. CONCLUSION AND RECOMMENDATION

Senate Bill #45 seeks an increase in the current net proceeds tax by changing it to a gross proceeds tax. The justification for this proposed tax increases centers around the perception that Montana has not fairly benefited from Yogo profits.

The past 60 years of financial failures of the last 14 Yogo owners is proof that Yogo profits have not been made. The reasons for the unprofitability of the Yogo have been proven by historical financial data showing the following:

1. Relatively high cost of producing Yogo gems;
2. Low production yield of usable gem quality Yogos; and,
3. Non-competitive but necessary price of Yogos.

To now increase taxes would kill all possibility of profit achievable by increased mining efficiency and/or greater worldwide demand for the Yogo.

Moreover, Montana already receives substantial direct tax benefits in its gross severance taxes (Resource Indemnity Trust Tax and Metalliferous Mining Tax) and property taxes, and indirect benefits of increased jobs, tourism and retail jewelry sales.

The net proceeds tax is designed to tax companies making a profit, when and if a profit is made. However, Roncor must pay its net proceeds tax on all rough carats mined regardless of the fact that 50-70% of the Yogos are not usable and 9-12 months of work are typically required before the Yogo is ready to be sold at a small profit.

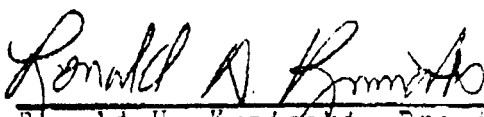
The current tax burdens on the Yogo owner are onerous enough, and give Montana more than an equitable share of the benefits derived from the Yogo.

Roncor recommends this Committee vote "NO" on Senate Bill #43, and keep mining taxes status quo; by doing such, this Committee does not kill whatever little possibility still exists of Yogo profits.

Roncor is attempting to persuade a large commercial mining company to joint venture with Roncor in a longterm Yogo development and mining program. Such persuasion is difficult in light of the financial disasters of the past 60 years. To now increase mining taxes would likely force Roncor to either close the Yogo mine or operate as a small "mom and pop" company. Either alternative would likely decrease Montana tax revenues.

With the patience and cooperation of this Committee and Montana, Roncor is confident that it can gradually increase the world demand for Yogos. Additionally, Roncor is developing a joint internship with the Geology and Mining Department of Montana Tech in Butte to determine more efficient mining methods. With such increased world demand and mining efficiency, the Yogo will be able to extract the premium price necessary to ensure a profit. When profits are made, Roncor will gladly pay its net proceeds tax.

I thank this Committee for the opportunity to present this testimony. I invite this Committee to contact me if there are any questions or thoughts. Finally, I would ask this Committee to assist me in my efforts to join hands with Montana in achieving the Yogo dream.



Ronald H. Kunisaki, President

SENATE TAXATION

EXHIBIT NO. 6DATE 1-30-87BILL NO. S.B. 45

IV. SUMMARY

1. THE DREAM : BILLIONS OF DOLLARS OF SAPPHIRE RESERVES LAY IN THE YOGO DEPOSIT.

Geological studies estimate the vast Yogo reserves to be worth approximately \$1 billion; however, sufficient testing has not been done to establish this estimate as proven reserves.

2. THE PROBLEM : THE COST OF MINING YOGO SAPPHIRES IN MONTANA IS SO HIGH THAT IT HAS NOT ALLOWED A PROFIT TO BE MADE IN OVER 60 YEARS.

3. THE PROOF : THE FAILURES AND FINANCIAL DISASTERS OF THE PAST 14 OWNERS.

4. THE MYTH : IN SPITE OF THE FINANCIAL AND EMOTIONAL HUMILIATION OF PAST OWNERS WHO HAVE LOST THE YOGO MINE, SENATOR WILLIAMS BELIEVES BASED ON NO OFFERED OR PROVEN FACTS, PAST OWNERS HAVE PROFITED BY MILLIONS OF DOLLARS.

5. THE CURRENT SITUATION:

THE YOGO MINE HAS TREMENDOUS POTENTIAL FOR BOTH MONTANA AND RONCOR.

PAST OWNERS HAVE NOT MADE PROFITS FROM THE YOGO UNDER THE CURRENT MONTANA TAX LAWS.

TO NOW INCREASE MONTANA TAXES WOULD SEAL THE DOOM OF THE YOGO MINE AND FOREVER KEEP ITS TREASURES LOCKED TO NO ONES BENEFIT.

6. THE SOLUTION: VOTE NO ON SENATE BILL #45.

KEEP MINING TAXES STATUS QUO, THEREBY NOT ADDING TO AN ALREADY-HEAVY TAX BURDEN, THAT MAY KILL WHATEVER LITTLE POSSIBILITY STILL EXISTS OF YOGO PROFITS.

GIVE RONCOR AND THE YOGO TIME TO GET BACK ON ITS FEET BY RE-DEVELOPING THE MINE TO ENCOURAGE A LARGE COMMERCIAL MINER TO TAKE ON THE PROJECT.

WHEN PROFITS ARE BEING MADE MONTANA WILL RECEIVE ITS FAIR SHARE FROM THE EXISTING NET PROCEEDS TAX AND THE GROSS TAXES, I.E. METALLIFEROUS MINING TAX AND RESOURCE INDEMNITY TRUST TAX.

ADDENDUM A

RONCOR FILE ON GROSS PROCEEDS TAX BILLS

TABLE OF CONTENTS

1. Intergem Testimony Of February 12, 1985.
2. Intergem Comments To Senate Bill 280.
2. Fiscal Note By Budget Director, David L. Hunter.
3. Minutes Of Tax Committee Meeting Of March 22, 1985.
4. Legislative Report Of Rep. Ernst, April 1, 1985.
5. Intergem - Montana Legislature Correspondence:
 - 2/14/85 - Intergem Letter To Sen. Towe
 - 2/15/85 - Intergem Letter To Sen. Towe
 - 2/28/85 - Intergem Letter To Sen. Towe
 - 3/20/85 - Intergem Letter To Rep. Devlin
 - 3/22/85 - McCee Letter To Hoffman
 - 3/26/85 - Hoffman Letter To Rep. Devlin
 - 4/05/85 - Sen. Towe Letter To Intergem
 - 4/11/85 - Intergem Letter To Sen. Towe
6. Intergem Mining Tax Returns

SENATE TAXATION

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ADDENDUM B

BEST CASE SCENARIO

YOGO FINANCIAL SUMMARY

Assumptions based upon historical data of SIC/Intergen/Roncor.

1. Rough Carats Per Ton Of Ore Mined = 20
2. Size Distribution Of Production =

50% - Chips / Uncuttable (No value)
 20% - Small Thai (Will cut to .05 - .10 carats)
 23% - Large Thai (Will cut to .11 - .30 carats)
 7% - Cutters (Will cut to .31 - 1.50 carats)

3. Cutting Retention = 22% (i.e. 78% of rough weight is lost in cutting.)

4. Ave. Revenue Potential Per CUT Carat:

80-150 pts.= (5.0%)(\$1050)= \$52.50	
35- 75 pts.= (9%)(\$300) = \$27.00	Total = \$ 95.04
11- 30 pts.= (46%)(\$29) = \$13.34	
5- 10 pts.= (40%)(\$5.5) = \$ 2.20	

The above revenue calculations assume 100% of inventory is sold in and at Montana prices.

8. Ave. Revenue Potential Per ROUGH Carat:

(11%) (\$95.04) \$10.45

9. Expenses Per Rough Carat:

a. Mining/Milling = \$2.50	
b. Cutting = \$1.25	Total = (\$10.25)
c. G & A /Taxes = \$5.00	
d. Mktg/Sales = \$1.50	

=====

I. NET REVENUE POTENTIAL PER ROUGH CARAT =	\$.20
II. PROPOSED GROSS PROCEEDS TAX = (Assuming mill levy of 250)	(.45)
III. NET LOSS POTENTIAL PER ROUGH CARAT IF SENATE BILL #45 IS PASSED	= LOSS (.25)

NAME: Mrs. Mary Bielenberg DATE: Jan. 29, 1987

ADDRESS: Box 708, Hamilton, Montana

PHONE: 363-6780

REPRESENTING WHOM? Myself, as owner of a sapphire mine in Granite C.

APPEARING ON WHICH PROPOSAL: Senate Bill #45

DO YOU: SUPPORT? AMEND? OPPOSE? yes

COMMENTS: 1. This discourages mining companies and individuals from
opening sapphire properties in Montana.

2/ To tax on gross production would make it impossible for
anyone to make a profit. Only 6% of gross is gem quality, with the Yogo
mine excepted. Most of the placer sapphire properties are owned by
Montana individuals. They hire Montanans to work these.

3. It is difficult to place an exact value on any gem.
The Geological Survey Bulletin #983 reports that ~~one~~ of 200 carats of
Yogo ^{etc.} only 60 were gem quality.

4. Who in the Department will be qualified to determine value?
If the State had collected \$46,000 in taxes on these properties last year,
it would have had to pay out that much, at least, on experts in the field
of gemstone recognition, and marketing, to implement.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE TAXATION

EXHIBIT NO. 7

DATE 1-30-87

P.L. NO. SB-45

Mary Bielenberg

5. Money generated from tourists coming to the State to dig for sapphires is greater than that generated from sale of stones. Should mines close there would be fewer tourist dollars for the State.

6/ No provision is made for deduction of costs of operation before payment of taxes. We know of no industry that is able to operate under these conditions.

7. Column 3 (d) states that all buyers' names be disclosed. Isn't this an invasion of privacy? Jewelers do not have to disclose the names of their customers.

SENATE TAXATION

EXHIBIT NO. 8

DATE 1-30-87

BILL NO. SB-45

Dear Sirs:

I was shocked to learn, quite by accident, that the Sapphire Tax Bill is on the floor again.

First I would like to explain the difference between the Yogo Sapphire, being of a corn flower blue and very desirable on the world commercial market, and Missouri River and Phillipburg Sapphires. Their colors vary from pale green, light blue, yellow, etc. A one carat Yogo is valued at approx. \$3,000.00, a good river stone of the same size is valued at approx. \$25.00.

I realize the state needs funding, but this is the wrong place to try and get it. For one thing only 1 out of every 10 stones

2

will cut, unlike Yogo.

I took over the manager job of Eldorado Sapphire Mine last year. Previously after making their payments they lost from \$24,000.00 - \$36,000.00 per year. Last year I came within \$5,000.00 of making the payment and with the changes I've made we expect to make a small profit this year. But if this bill passes I promise we will close down ~~all~~ fee-digging and go strictly to gold mining, this is not a threat, it is just a position I would be forced into.

Gov. Swindon has promoted tourism in a big way and rightfully so, it ranks very high in revenue to local business.

Seventy-five percent of our customers come from out of state.

SENATE TAXATION

EXHIBIT NO. 8DATE 1-30-87BILL NO. S.B. 45

³
They stay in Helena motels, they
grocery shop, they buy gas and
such because they come to Montana
to dig sapphires. With any luck
we have 20 yrs. of reserves
suitable for public digging. We
get from 2,000 - 3,000 visitors
every year. What a shame to throw
all this revenue away not to
mention our local advertisement,
the parts we buy, fuel we
consume. And if we are forced
to shut down and the gold is
not profitable to mine, we would
then be forced to sell the property
off. There are very few of us left
now, and as you can see it is
not a high profit venture, it's
more a work of love.

In other fields we would be
subsidized for bringing in all
these tourists not penalized.

4

Gentlemen, in conclusion, you have nothing to gain and every thing to lose, not to say what it would do to us.

Incidentally we keep cards on all people that visit the mine, I offer these to you to get an idea of how big a tourist attraction the Mine is.

~~The~~ only way I have been able to change our financial picture last year was to install machinery to sell chulk loads. The has taken off very well and will bring in even more tourists this year. Meaning we will have to hire employees, meaning jobs.

So in final summation, we are a real asset in the state. Please do not put us out of business.

Sincerely,
Mervyn R. Rydman



GEM MOUNTAIN SAPPHIRE MINE

Jan. 30, 1987

Senator George McCallum

RE: SB45

I am Grace Hess. My husband, Buss, and I manage Gem Mountain Sapphire Mine in Philipsburg MT

We strongly oppose SB-45--the taxation of gem-stones, cut and rough. This bill will be impossible for us to regulate. We have 5 seperate operations at Gem Mountain--we sell gravel by the bucketful, bags of sapphire gravel concentrate, fee digging, sapphire-bearing dirt by the yard, and a jewelry shop. There is no way we could monitor the stones in these various operations for taxation purposes. Appraisals would require the expertise of a graduate gemologists, which would be cost prohibitive for us to employ full time should one be available.

Our business is oriented to the tourist, so we are often unaware of the stones found, especially the diggers who are facetors. Our bags of sapphire concentrate are shipped all over the U S, these bags cannot be graded beforehand as to contents and value.

How are you planning to implement the collection of this tax? Appraise each sapphire, requiring color, weight and quality of each stone mined? Will there be a state employee present to monitor the grading? If so, who will pay the bill? We are a small operation and cannot afford any extra expense of more employees or added taxes.

SENATE TAXATION

EXHIBIT NO. 9

DATE 1-30-87

BILL NO. SB-45



GEM MOUNTAIN SAPPHIRE MINE

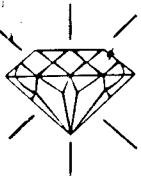
At present, there is a planned Governor's Council on Tourism. It's studying ways to make the state more attractive to increased tourism. Sapphire collecting rates second in the state as a tourist attraction, so all these sapphire mines need to remain solvent to supply this need.

We are against SB-45!

Thank you for listening to our side of this issue.

Sincerely,

Grace Hess
Grace Hess



Cornish Sapphire

PHONE
(406) 859-3302

P.O. Box E
R.F.D. HIGHWAY 38
PHILIPSBURG, MONTANA 59858

Jan, 30, 1987

Senator George McCallum

RE: SB-45

In previous years, my husband and I also owned and ran a like-business, Cornish Sapphire. It is now sold, but I speak for the present owners AGAINST SB-45.

Thank you,

Sincerely,

Grace Hess

Grace Hess

SENATE TAXATION

EXHIBIT NO. 9

DATE 1-30-87

BILL NO. S.B. 45

January 30, 1987

Mr. Chairman, members of the Committee:

My name is Russess M. Thompson. I am from Castles Sapphire Mine and Gold Fever Rock Shop in Helena. I am OPPOSED to Senate Bill 45 that was introduced by Senator Williams.

First of all, this is unfair and was created from a hidden motivation of Senator Williams. I believe he had reasons to out and out attack gemstone mines and try to have a total stoppage of mining in the state. There was an attempt to sneak this very same bill through the lines during the last session. This is due to a personal conflict between Williams Construction and Intergem.

45% of gross proceeds is ridiculous. This is higher than any tax. This proposal would require a bureau with a whole set of experts at a time when the state is trying to cutback on departments. It is impossible to give an average value of gemstones. Determining merchantable value is not possible. There is a huge variety of gems. Who is the expert? This means the department will be hiring more agents, but they can't tell us what gems are worth - we can't even tell how much they are worth! These experts don't even know what a gemstone is. A mineral or petrified material as described in Title 15 that can be cut and polished and put in jewelry is not a gemstone, it is a rock. We have acres of rocks that can be identified as mineral or petrified material, and we are already paying property tax.

The reports and sampling that is in the bill would take hours and hours of paperwork. And filing statements of gross yield to even include the name and location of each purchaser is a violation of rights! There are five reporting dates strewn through 12 months of the year. The mining season is only four months long.

If effect, this is an automatic shutdown of mining. There will never be a taxable production of gemstones. Gems are too rare and in very minute quantity. There is a major production of rocks. But their variety escapes standardized value.

Income taxes have already been paid on the sale of gemstones, as well as taxes paid on equipment, diesel, property and liscensing. It is the gemstone mines that bring tourists into the state. It is to the states benefit that gemstone mines attract tourists to spend money on motels, food, stores and to help promote the Governors Build Montana Program. If Senate Bill 45 passes, the mines will no longer operate and the tourists that have been coming to the mines for the past years will cease.

DO NOT PASS Senate Bill 45.

Thank you.

SENATE TAXATION

EXHIBIT NO. 10
DATE 1-30-87
BILL NO. SB-45