

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 5, 1987

The seventeenth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on February 5, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 266: Senator Van Valkenburg, Senate District 30, presented this bill to the committee. He said this bill would provide a statutory basis for the establishment of wineries in the state of Montana. The bill was introduced at the request of the founder and owner of the Mission Mountain Winery. This is the first winery in the state of Montana that he is aware of. At the outset they were using grapes grown in Washington but are now growing their own grapes in Montana. This spring they are prepared to bottle their first pure Montana wine. This bill would authorize them to sell the wine for off-premises consumption, provide without charge, the product for consumption on the premises and allow them to obtain a special event permit for a one day wine festival or something of that nature. The Department of Revenue has allowed the Mission Mountain Winery to do what this bill provides while awaiting approval of this bill.

PROPOSERS: Tom Campbell, owner, Mission Mountain Winery, gave testimony in support of this bill. He said he has been working on developing this new wine industry since 1979. He literally killed thousands of vines before finding four or five varieties that will produce grapes in Montana. He produced grapes in 1985 and vintaged those grapes in a champagne that will be released on Memorial Day. While his vineyard is growing, he is being supplied with grapes from the state of Washington. This has allowed him to enter the Montana market, as well as to export his wine to other areas of the county. This spring they will start marketing in Alberta. They are currently producing 7,000 cases of wine. This bill parallels the standards of the industry in allowing testing on premise, retail sales on premise and to purchase our alcoholic spirits for wine making from the proper state source.

Sidney Abrams, Wine Institute for Grape Growing in Washington, gave testimony in support of this bill. This bill reads, "may sell wine it produces at retail at the winery directly to the consumer for consumption off the premises". He said picnics are a very important item to wineries and can be a big tourist attraction. He would suggest consideration be given to changing that wording to allow "on or off the premises". He does not feel this would be a threat to restaurants.

OPPONENTS: Roger Tippy, Montana Beer and Wine Wholesalers, gave testimony in opposition to this bill. He has some problems with the wording in this bill. On page 1, line 13, the word "import" causes him some concern. He sees no need for the allowance of imported wine when they are producing their own wine. What would prevent them from importing California wine, wine that is produced somewhere else, and selling that at their winery. He thinks the bill should have a statement of intent allowing the Department of Revenue to make regulations assuring that sales to consumers are for a bona fide use and not for retail purposes to avoid payment of taxes and other concerns the Department of Revenue might have.

QUESTIONS FROM THE COMMITTEE: Senator Brown asked if there have been any experiments on making wine from cherries.

Tom Campbell said he has done some experiments with the cherries in the Flathead Valley and that variety is not well suited for wine making.

Senator Crippen asked Mr. Campbell if the wine they import is finished wine.

Mr. Campbell said right now he is making the wine in Washington state, supervising the growing of the grapes, and transporting it here to Montana to bottle. He said it is very important that we at least bottle the wine in Montana.

Senator Crippen asked Mr. Tippy if he was satisfied with that explanation concerning the importation of the wine.

Mr. Tippy said it could be expressed more clearly that it is being transported in bulk. He would want to check with people in other states to see that this has been worked out without any potential problems. He said it is a lot easier to set up regulations at the threshold of an enterprise than to try to change.

Senator Lybeck asked how many people he would employ.

Mr. Campbell said we have the potential in our winery alone to handle 20,000 cases in the future. That would require approximately 100 acres of grapes to supply us. We would employ 50-60 people seasonally and in the winery somewhere around 30-40 people.

Senator Mazurek said to Mr. Tippy that he had expressed concern that some winery will come in from out of state and set up operation and take advantage of this. He said the economic impact of that might be desirable.

Mr. Tippy said it might be desirable if that large winery were then going to utilize the wholesalers network to get the wine into the stores. If a large winery is located next to a large supermarket, that would eliminate the wine distributor.

Senator Eck asked Mr. Campbell if he was importing grapes from another place.

Mr. Campbell said eastern Washington has the highest quality of grapes in the world. We have to use those grapes to establish our services in the market place. Our long range plan is to devote ourselves to developing the Montana grape industry in the lake area.

Senator Crippen asked Mr. Abrams to respond to Mr. Tippy's concern in relation to elimination of the middle man.

Sidney Abrams said he does not understand fully the fears expressed. There are enough problems with producing the wine in this state that they would still pay to get the wine to market.

Tom Campbell said to address some of the concerns expressed, the bill could be amended after import to insert "in bulk" and that would handle all the problems expressed. He said wholesalers would be the only outlet for selling statewide in his view. That is the best way in our state with so many great distances between population centers. The distributor system, as it stands now, does a far better job than he could possibly do.

Senator Eck asked Mr. Abrams if the labeling regulations are all federal or if there are some state regulations.

Mr. Abrams said most states go by the federal regulations for labeling. Some states, for whatever reasons, add more problems by having requirements.

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Senator McCallum said there would not be a tax charge on the wine in the sampling room, but what if someone bought a bottle of wine and took it outside to a picnic table to drink it. He wonders if the Department of Revenue would collect a tax off of that bottle of wine. He asked Mr. Tippy to respond.

Mr. Tippy said there is no provision for collecting the tax at the time of removing the bottle of wine from the winery. With the present wine law, there is no such provision on domestically produced wine at the winery.

Senator Van Valkenburg closed by stating what we have is a new business in Montana that really is something of promise. He thinks it is important for the Montana legislature to try to make things work for this new business.

Hearing closed on SB 22.

CONSIDERATION OF HB 151: Representative Pistoria, House District 36, presented this bill to the committee. He said this bill deals with the time payment of your property taxes. Section 15-16-102 says that you have to pay your first half by 5 o'clock on November 30th and the second by 5 o'clock on May 31st. What happens when the deadline falls on a Sunday, will they charge interest for the following Monday. This bill provides that taxes that fall due on a holiday or Saturday may be paid without interest the next business day.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: Senator Crippen asked Representative Pistoria if the penalty would be included along with the interest.

Representative Pistoria said the 2% stays like it is now. They would be allowed until the next business day, to pay their taxes without interest or penalty if November 30th or May 31st falls on a holiday or Saturday.

Senator Crippen said that is your intent but he does not know if the bill says that. If that is what you want we can handle that.

Representative Pistoria closed.

CONSIDERATION OF HB 87: Representative Devlin, House District 25, presented this bill to the committee. He said this is an act extending the residential property tax credit for the elderly to elderly persons changing residence within Montana. This deals with the tax credit for the elderly. The way the law was written was that in order to be eligible for this credit he would have to have lived in the residence for six months. This bill eliminates the six month requirement. He said he did not believe there would be any fiscal impact on this bill.

PROPOSERS: None.

OPPOSERS: None.

QUESTIONS FROM THE COMMITTEE: None.

Representative Devlin closed.

DISPOSITION OF HB 87: Senator Mazurek made a motion that HB 87 BE CONCURRED IN. The motion carried.

DISPOSITION OF HB 151: Senator Crippen said the way the bill is written it would include interest starting after the next business day but not the penalty.

Senator Mazurek said before we act on that question, his SB 162 says that "One-half of the amount of such taxes shall be payable on or before 5 p.m. on November 30 of each year, or within 30 days after the notice is post-marked, whichever is later, and one-half on or before 5 p.m. on May 31 of each year." He said this language gives statutory authority to counties for the good of the taxpayers. He would suggest putting that in this bill if SB 162 does not pass.

Senator Crippen is in agreement with Senator Mazurek and also feels that the bill needs to be amended to include penalty.

Jim Lear said he could amend the bill as proposed by Senator Mazurek and Senator Crippen, on lines 19 and 22 of page 1 and lines 7 and 8 of page 2, and would change the title accordingly.

Senator Halligan would move those amendments. The motion carried.

Senator Mazurek made a motion that HB 151 BE CONCURRED IN AS AMENDED. The motion carried.

FURTHER CONSIDERATION OF SB 266: Senator Eck said in talking with Mr. Abrams, he has worked with Washington and New Mexico where they just encourage the wine industry and have a number of small industries with this wine business. We could hassle them so much it would not be worth doing business.

Senator Mazurek said if they sell the wine at retail at the winery he would assume they would have to pay taxes. He doesn't think they would object to that.

Senator Crippen said in California all the wineries have a retail area and a sampling area.

Jim Lear said 16-1-411 sets forth the tax on wine, but because there hasn't been a winery in the state, there hasn't been the need for a tax on wine sold by a winery in the state.

FURTHER CONSIDERATION OF SB 228: Senator Halligan made a motion that SB 228 DO PASS AS AMENDED.

Senator Brown said we tapped the Education Coal Trust, which is a statutory trust and not a constitutional trust, as a temporary quick fix during the special session and now we are continuing that temporary quick fix to the state's problem into the regular session. We are trying to get the full view on how we want to fix the problem. He is not sure that spending the savings account in the short term, to try to deal with a long term problem, is the answer. He believes this bill should rest in committee for awhile.

Senator Halligan said there is no way the money will be available unless we use the savings account.

Senator Crippen is in agreement with Senator Brown.

Senator Eck said once we have dealt with how we are going to address our long term problem and then we need a short term fix for right now, she thinks she might change her mind and vote with this bill.

Senator Halligan withdrew his motion.

ADJOURNMENT: The meeting adjourned at 9:15 A.M.


SENATOR GEORGE McCALLUM, Chairman

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-5-87

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.

COMMITTEE ON

DATE

3-5-87

Senate Taxation

VISITORS' REGISTER

SB 266, HB 87, HB 151

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Bruce H DeRossier	WINE DISTRIBUTOR	266		
Lynn Chenoweth	Dept. of Revenue	266 87 151		
Tom Campbell	Mission Mountain Winery	266	X	
Red Teslaia	Dist Rep Dist #36	151	X	
Kamblasius	SOA	—		
Marc Jaramin	Wine Institute	266	X	
Sydney Abrams	Wine Institute	266	X	
Roger Tuppy	Malt Beer & Wine Wholesale	266		X

NAME: Tom Campbell DATE: 2 5 87

ADDRESS: 510 Woodward Missoula MT 59801

PHONE: 5497179

REPRESENTING WHOM? Mission Mountain Winery

APPEARING ON WHICH PROPOSAL: Senate Bill 266

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: Being the first winery in Montana we need
this bill to establish regulations for our infant industry.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

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February 5, 1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 151

third reading copy (blue) color

PISTORIA (MAZUREK)

POSTPONE APPOINTED ACTION FALLING ON SATURDAY UNTIL NEXT BUSINESS DAY

Respectfully report as follows: That HOUSE BILL No. 151

be amended as follows:

1. Title, line 4.

Following: "TO"

Insert: "MAKE PROPERTY TAXES FIRST PAYABLE ON NOVEMBER 30 OF EACH YEAR, OR WITHIN 30 DAYS AFTER THE TAX NOTICE IS POSTMARKED, WHICHEVER IS LATER; TO"

2. Title, line 5.

Following: "WITHOUT"

Insert: "PENALTY OR"

3. Page 1, line 19.

Following: "year"

Insert: ", or within 30 days after the tax notice is postmarked, whichever is later,"

4. Page 1, line 22.

Following: "year"

Insert: ", or within 30 days after the tax notice is postmarked, whichever is later"

5. Page 2, line 7.

Following: "If"

Strike: "either November 30 or May 31"

Insert: "the date on which taxes are due"

XXXXX DO PASS

XXXXXX DO NOT PASS

(CONTINUED)

Chairman.

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6. Page 2, line 8.
Following: "without"
Insert: "penalty or"

AND AS AMENDED

BE CONCURRED IN

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SENATOR GEORGE McCALLUM, Chairman

STANDING COMMITTEE REPORT

February 5, 1987

MR. PRESIDENT

SENATE TAXATION

We, your committee on

having had under consideration HOUSE BILL No. 87

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color

Devlin (Hirsch)

EXTENDING ELDERLY PROPERTY TAX CREDIT TO ELDERLY PERSONS
WHO MOVE RESIDENCE

HOUSE BILL

Respectfully report as follows: That No. 87

BE CONCURRED IN

XDDXKASE

YDDXKASE

SENATOR GEORGE McCALLUM, Chairman.