

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

April 1, 1987

The fifty-fifth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on April 1, 1987 by Chairman George McCallum in Room 325 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 84: Representative Winslow, House District 89, presented this bill to the committee. We are putting \$1.2 million a year into a tourism promotion program when the states around us are putting \$5 million. We are 49th in the nation as far as attraction and tourism. This bill has been worked on for a year and some changes were made and some commitments were made from people that previously have not supported this kind of a tax. Several people have looked at what could be done to put Montana in a position of competition in tourism. If we do not compete we lose. Montana does not even have an opportunity to get the word out on what a wonderful place Montana would be to vacation, people come through Montana because that is where the road goes, not because they have heard about it. This bill assesses a 4% bed tax on motels and campgrounds. The House committee added a couple of amendments which he supports. One would have a percentage go to the Historical Society, which plays a critical roll. The other breaks some of it down to go to the university system. John Wilson from the Department has some clean-up amendments for some of the action taken in the House. He does not believe there would be any problem with the House accepting those back. He believes this bill is one of the important pieces of legislation to look to the area of tourism.

PROPONENTS: Representative Fritz, House District 56, gave testimony in support of this bill. This bill is a long overdue measure. It's about time Montana got into the business of promoting its travel economy. Economic development reports for Montana say Montana needs to do more to develop, promote and market its travel and tourist economy. This is one sector of economy that has a tremendous chance to grow. We could see some dividends in this area in the very near future. The need for some

money to go to the Historical Society for the location of sites and to the university system for research programs is appropriate. We need to recognize that it is one thing to promote tourism and another to develop some actual sites and areas. It is important that we have academic support for the industry.

Representative Ream, House District 54, gave testimony in support of this bill. He furnished the committee with an article entitled, "Montana, Money, and Making Movies", attached as Exhibit 1, and reviewed some of the information in the article. He thinks the movie industry can have tremendous potential in Montana and he hopes the travel promotion bureau considers film promotion can be enhanced by the funding that is provided in this bill. He concurs in the amendments put on in the House and with the amendments suggested by John Wilson.

Al Donohue, Chairman of the Tourism Advisory Council, owner of the Heritage Inn in Great Falls and the Budget Inn, gave testimony in support of this bill. Tourism is on the brink of bringing in economics and well being if this bill should be passed. We will go from 49th to mid range in travel promotion. He furnished the committee with a list of "State Travel Budgets By Rank", attached as Exhibit 2.

Brett Boedecker, Chairman of the Montana Forward Coalition, gave testimony in support of this bill. If there has ever been a bill that is strictly for Montana, this bill is that. Montana Forward had a study done and one of the things identified in that study was a 4% sales tax. This bill goes a long way in establishing that recommendation. Another thing identified in the study was the western theme and that seems to be receiving some attention. Montana has basically been promoted through Montana residents.

Jo Brunner, representing the Montana Outfitters and Guides Assn., gave testimony in support of this bill. The Montana Outfitters and Guides Assn. spends several million dollars a year advertising their business and consequently the state of Montana. With passage of HB 535, we can look for an increase in those expenditures. Our people advertise not only their business but the splendors of this great state.

Joe Weggenman, Helena Area Chamber of Commerce, gave testimony in support of this bill. This bill is an offensive type of bill. Any business needs a strong marketing plan with adequate investment of dollars into that plan. \$1.2 million into tourism is not an adequate amount. The provisions in this bill allow for a strong

state marketing plan and also for a strong local marketing plan.

Pamela Hoedel, representing the Missoula Area Chamber of Commerce, gave testimony in support of this bill. A copy of her written testimony is attached as Exhibit 3.

Sid Frissell, Associate Dean of Forestry School, University of Montana, gave testimony in support of this bill. The bulk of the funding for this tax will go directly into the fund to promote and create tourism development. This is a most critical task. If you look at any major industry in the world, generally you will find three elements of that industry -- production, advertising/marketing and research and development. He would like to stress the need for the third component, research and development. We need to develop a travel barometer to help keep track of the growth of the industry; we need to identify tourist preferences to more effectively enhance the tourist industry; and to identify new markets and the effectiveness of new marketing strategies. These worthwhile research efforts will provide the background material for the industry. We also need to insure maintenance of the tourist areas in the state.

Bob Archibald, Director, Montana Historical Society, gave testimony in support of this bill. He knows from experience that the Historical Society alone attracts some 100,000 people per year. Hundreds of thousands of people visit museums, art centers, and so forth, throughout the state. It seems to him that with the results of the provisions of this bill, that certainly many more visitors will be attracted to and visit historical sites and museums in the state, and he supports this bill.

Brenda Schye, representing the Montana Cultural Advocacy, gave testimony in support of this bill. She is pleased that this bill recognizes the state's historical legacy as something that deserves to be promoted and hopes we will maintain that provision in this bill.

Stuart Doggett, representing the Montana Chamber of Commerce, gave testimony in support of this bill. To increase investment in travel promotion is to better the economy in the future. This bill is well thought out and will encourage and coordinate with our local tourism plan.

Attached as Exhibit 4 are the amendments proposed by John Wilson from the Department of Commerce and referred to by Representative Winslow in his opening statement.

OPPONENTS: Ted Skelton, Conrad, Montana, owner and operator of a 104 unit Super 8 Motel in Missoula, gave testimony in opposition to this bill. A copy of his written statement is attached as Exhibit 5.

William T. Larsen, Thrifty Western Inn in Missoula, gave testimony in opposition to this bill. If we are going to have a sales tax, then lets have a sales tax, instead of placing a sales tax just on us.

Alec Hansen, representing the Montana League of Cities and Towns, gave testimony in opposition to this bill. Since 1981 our organization has been trying to convince the legislature to approve a hotel tax with the majority of the proceeds going back to cities, towns and counties to help finance some of the services that travelers use when they come to Montana. We have never been successful. He does not object to the tax as far as being legitimate and necessary but he has a problem with the distribution provided in this bill. He believes the cities should share fairly in the proceeds of the hotel/motel tax. The cities provide a wide range of services to the traveling public and all of those services cost money and are financed by local property taxpayers.

Ken Morrison, Department of Revenue, said the effective date is currently May 1st. They do not feel that is a feasible date any longer and would suggest that be changed to July 1. Currently the bill has a funding mechanism for the Department and he would urge that the committee leave that funding in the bill.

QUESTIONS FROM THE COMMITTEE: Senator Neuman asked Mr. Donohue if it is the people who are staying at his motel that will be paying the tax or the motel owners.

Al Donohue said we will be collecting the tax from the people who stay at the hotel and motels in the state.

Senator Neuman said it seems to him that the hotel/motel industry will be one of the beneficiaries of this tax and it would seem to him that we should have the owners match the sales tax.

Al Donohue said we would receive a little over 20% of the overall benefit, the rest of the money is spent out in the economy.

Senator Mazurek asked Representative Winslow to respond to the technical question raised by the Department of Revenue on the effective date.

Representative Winslow said the effective date maybe needs to be changed. He is not convinced that it should go to July 1, maybe June 15th.

Senator Neuman asked Representative Winslow if he expected that the money that is generated to fund this program will be enough without an increase in the tax.

Representative Winslow said 4% should be adequate to fund the program.

Senator McCallum asked Representative Winslow if a sales tax does pass, would this be a double taxation on hotel/motel rooms.

Representative Winslow said if there is any possibility to exempt the industry of a sales tax, he would seek to do that.

Senator Eck asked Representative Fritz if HB 377 reduces the sales tax on accommodations if the hotel/motel tax goes into effect.

Representative Fritz said HB 377 reduces it to 3% and adds a 2% sales tax. That is not a provision of the bill that he particularly favors.

Senator Eck asked what he would recommend. Leave the accommodation tax at 4% because that money is earmarked and instead reduce the sales tax on that.

Representative Fritz said he would not put a sales tax on accommodations if this bill passes, if there is a 4% accommodation tax.

Senator Halligan asked John Wilson how they would be coordinating the research and development that the University of Montana will be doing with what the Department of Commerce is already doing.

John Wilson said the amendments furnished to the committee, attached as Exhibit 4, include language that says the council shall "direct the University system regarding Montana travel research and approve all travel research programs prior to their being undertaken."

Senator Halligan asked if there was any information now where in the off season, when they have to cut their rates and have to pay the sales tax essentially out of their own pocket.

John Wilson said it is true their are up and down seasons and the way the industry adjusts itself is to adjust the rates. He does not think the hotel has to pay the tax or absorb that tax in the shoulder period.

Representative Winslow closed by stating he believes that this is a measure that will provide a percentage of hope as we go out of this session. Hope that the future can be a little bit better in the state.

CONSIDERATION OF HB 851: Representative Harp, House District 7, presented this bill to the committee. In 1983 the ARCO plant in Columbia Falls announced that they would not be open indefinitely and something had to be done as they were losing money. By 1985 the community knew their time was running out. ARCO wanted to sell the plant and there were two important factors that was known about the plant -- 1) the plant had an excellent work force and management team and 2) despite the 30 year old plant it was still in good shape. We recognized we had some big problems to solve. The electrical power rates were much higher than the world average. We now have a bearable electricity rate, as the aluminum price lowers so does the electricity price and as it increases then so does the electricity price. A big concession was in the wage and benefit package. We revised the work force and management package and they all agreed to a 20% reduction in wages and benefits. Vacation pay was scaled back from 12 to 6 days. We even negotiated with BN to reduce the rates on freight. There is one remaining issue that keeps the plant noncompetitive and that is the property taxes. The taxes in the other 7 aluminum plants is approximately \$750,000 per year. In 1986 the tax levied on the Columbia Falls plant was \$2.4 million. The value, according to the Department of Revenue, is \$148 million. An independent appraiser appraised the value at \$30 million. If we are interested in keeping these people working and keeping this plant functioning, then we should look at this bill. This bill would transfer electrolytic reduction facilities machinery and equipment from class eight to class five property. Certainly there is a loss of revenue. There is a loss on the local level, with the biggest area in schools.

School District 6 came to the House and supported this bill because they were looking beyond the revenue loss. No matter what the effects are, if you lose the largest employer in the Flathead valley then what do you have.

PROPONENTS: Jerome Broussard, President of the Columbia Falls Aluminum Plant, gave testimony in support of this bill. He would like to explain how this bill and the reduction and relief that it gives, fits into their overall business plan. We are talking about 770 jobs in Flathead County. Their business plan is to try to get every major cost lowered and to make as much of that cost component variable instead of a fixed cost. We have to lower our break-even point to where we can survive in the severely depressed times of our industry. Just since we have become the owners of the Columbia Falls Aluminum Plant, we have seen as much as a 50% change in the price of our product. We do have the variable electricity rate from Bonneville Power, we reduced our labor cost to 40% by giving the employees a profit share plan and we looked at every other fixed cost that we have. What we are talking about here is one of our fixed costs. We need to be competitive, we need to get our fixed rates down. That is the basis of this bill. Other plants in the northwest pay about \$750,000 in total taxes. We need to continue to drop our break-even point. This bill goes a long way toward helping us. If we make money our employees make money, we pay more to BPA and to the state.

Dennis Corbett, Vice President, Aluminum Workers Trades Council, gave testimony in support of this bill. This bill will help us to remain operating in Montana and to stay competitive with the rest of the aluminum plants in the northwest. What we need from our state is the ability to stay competitive and remain operating in Montana.

Judy Luce, representing the Montana Chamber of Commerce, gave testimony in support of this bill. We are a strong industry-based community and we are asking for help to preserve our community. We want our plant to stay and be healthy.

Colleen Allison, Mayor of the City of Columbia Falls, gave testimony in support of this bill. A copy of her written statement is attached as Exhibit 6.

Thomas Payne, Columbia Falls Chamber of Commerce, gave testimony in support of this bill. We feel the state

must stop looking at business as an endless deep pocket, there is a bottom to the pocket. We feel the state needs to go back to the basics and support existing industry, as well as encourage new business. One way to do this is through competitive property tax. It is time for the state to fight to keep its only aluminum plant.

Judy Berardi, representing People for Jobs, gave testimony in support of this bill. She has watched the aluminum plant go through all its pitfalls and watched it survive. All we are asking for is a more equitable property tax for this business. She furnished the committee with a newspaper article entitled, "Give CFAC its tax reduction" and written testimony in support of HB 851 from Allen A. Jacobson, Commissioner, Flathead County, attached as Exhibit 7.

Senator Lybeck, Senate District 4, gave testimony in support of this bill. If we lose the Columbia Falls plant it will have a drastic effect on the Kalispell valley and all of the state of Montana.

OPPONENTS: Gordon Morris, representing the Montana Association of Counties, gave testimony in opposition to this bill. The proponents have done an excellent job of laying out justification for this bill. He opposes this bill from the standpoint of the loss of property tax revenue in placing this machinery and equipment in class 5 property. He thinks it is more appropriate to take a look at this in the context of HB 377. We are singling out a specific property for special treatment. He would suggest that a coordination clause be put in this bill that would say if the replacement revenue is available then reduce the classification. On the effective date, he would suggest that at the very minimum that be December 31, 1987. By this change in the law, we would have to look at a refund process.

Ken Krueger, Flathead County Commissioner, gave testimony in opposition to this bill. We are like the other counties with a shortage of money. This loss of tax dollars could well mean actually whole departments in the county being done away with. There are other industries and farmers and ranchers that want a tax reduction, everyone is having hard times now, not just the aluminum plant.

Howard Gipe, Flathead County Commissioner, gave testimony in opposition to this bill. He agrees that we all need some reduction in property taxes. The aluminum plant



has done a wonderful job and their employees are receiving bonuses, the plant is profitable. Locally there are other businesses that are not fairing so well, maybe we should reduce their taxes a little bit. If we give one industry a reduction, then we should give others a reduction. We are faced with I-105 every day. Where will the revenue come from in the counties. This is special interest legislation, if we are going to do this, let's reduce them all.

QUESTIONS FROM THE COMMITTEE: Senator Crippen asked Judy Luce where the Chamber stood on a sales tax.

Judy Luce said they haven't polled their members yet. We would prefer not to have a sales tax but if that is the last option available to give this relief, then we would be in support of a sales tax.

Senator Crippen asked Colleen Allison the same question.

Colleen Allison said it depends on what happens here. One thing depends on something else, one bill takes away and another bill gives back.

Senator Crippen commended the aluminum plant for what they have done but he said you are not alone in your area of concern for property taxes in Montana. There are a number of companies in Billings that the same thing is happening. He asked Senator Lybeck if he would be willing to have an open mind on a sales tax in relation to giving property tax relief to everyone in the state, not just the people in Columbia Falls.

Senator Lybeck said he would support a sales tax if it is put to a vote by the people of Montana.

Senator Crippen asked if he would recommend that this bill be put to a vote of the people.

Senator Lybeck said this is a little different situation.

Senator Eck asked Ken Krueger how many mills does \$800,000 represent to the county.

Ken Krueger said a mill brings in \$90,000 to the county.

Senator Eck asked Greg Groepper if there was any similarity between the Columbia Falls Aluminum Plant and the Washington Construction in Butte, that would put them both in the same new industry classification to allow the same exemption to the Columbia Falls Plant that was given to the Washington Construction operation in Butte.

Greg Groepper said he did not think they would be qualified the same as the Washington Company. The facts are different.

Senator Hirsch asked Mr. Broussard if he had met with the tax appeals board and what is the value that he thinks should be placed on the plant.

Jerome Broussard said they went before the tax appeals board approximately two weeks ago and they have not received a decision yet. They have valued the plant at \$148 million, which came to \$2.4 million in taxes. We feel the value of the plant is more in the range of \$30 million.

Senator Mazurek asked if anyone knew what the fiscal impact of this bill would be if they are successful at lowering their property taxes before the tax appeal board.

Jerome Broussard said all we are addressing in the appeal is the appraisal for 1986.

Gordon Morris said if you assume they have a \$2.4 million property tax bill currently, for a market value of \$148 million. If the market value is reduced to \$30 million, the property tax bill will drop by  $\frac{3}{4}$ , so  $\frac{3}{4}$  of \$2.4 million is \$600,000. Under the bill, approximately the same result will occur by dropping them from 11% property down to 3% property.

Senator Brown said you have appealed the second half of 1986 taxes but did you pay the first half of 1986 taxes under protest.

Jerome Broussard said yes, we did.

Senator Lybeck asked Jerome Broussard to comment on Senator Eck's question concerning the tax break given to the Washington Construction operation in Butte.

Jerome Broussard said it is very difficult to understand why we would have received the break if we had closed the plant for 3 years and then restarted. We would have caused the loss of \$100 million in payroll to the state but we would then have gotten a break in taxes. We are as much a new industry as they are.

Senator Crippen asked Greg Groepper what would be the chance of reducing this appraisal.

Greg Groepper said he suspects the number will be reduced somewhat. That is why we have an appeal process, to have compromise. He does not suspect it will go to \$30 million.

Senate Taxation  
April 1, 1987  
Page Eleven

Representative Harp closed by stating he would hope the committee would consider this issue on its own merits and not in relation to a sales tax measure. The people in his area are willing to take this tax reduction in order to keep their plant going.

ADJOURNMENT: The meeting adjourned at 10:30 A.M.

  
SENATOR GEORGE McCALLUM, Chairman

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FOOTNOTE: Jerome Broussard, President, Columbia Falls Aluminum Company, furnished the committee with a letter in support of HB 851 and a fact sheet on HB 851 after the hearing on this bill. This information is attached as Exhibit 8.

ROLL CALLTAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 4-1-87

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

Senate taxation

DATE

April 1, 1987

TESTIMONIALS

VISITORS' REGISTER

HB 84, HB 851

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Pamela Heed	Missoula Chamber of Commerce	HB 84	✓	
Wm T. Larsen	Mont. Thrifty Western Inn	HB 84		✓
Ed Shelton	Myky Super 8	HB 84		✓
D. [unclear]	[unclear]	HB 84	✓	
Howard [unclear]	Flathead Co. Comm.	851		✓
K. [unclear]	Flathead Co. Comm.	HB 851		✓
Kay Foster	Billings Chamber	HB 84	✓	
BRETT A. BOEDECKER	Montana Forward	HB 84	✓	
AL DONOHUE	Tourism Advisory Council	HB 84	✓	
Gordon Morris	MACO.	HB 851-HB 84		✓
Colleen [unclear]	Major Columbia Falls	HB 851	✓	
Julie Gerardi	People for Jobs	HB 851	✓	
Thomas F. Payne	Col. Falls Chamber	HB 851	✓	
Judy [unclear]	Col. Falls Chamber	HB 851	✓	
JOE WEGGENMAN	TELENA AREA Chamber	HB 84	✓	
Grace Baumgart	Park Plaza Hotel	HB 84	✓	
Betty [unclear]	Flathead Chamber of Commerce	HB 84	✓	
Go. [unclear]	Mt. Curfeller & [unclear]	84	✓	
Rep. [unclear]	FOR	84		
[unclear]	Mt. West [unclear]	84	✓	
Brenda Schuy	Mont. Cultural Advocacy	84	✓	
Alec Hansen	M.L.C.T.	84		✓
Stuart [unclear]	Mt. Chamber of Commerce	84	✓	
Steve Browning	CFAC	HB 851	✓	
Jennis P. Corbett	Aluminum Workers Trade Council	HB 851	✓	
TI BROLLSARD	CFAC	HB 851	✓	

(Please leave prepared statement with Secretary)

DATE APR. 1 1987

COMMITTEE ON SENATE TAXATION

VISITORS' REGISTER H.B. 84 HB 851

[illegible]

(Please leave prepared statement with Secretary)

NAME: Phil STROPE DATE: 4-1-87

ADDRESS: Box 874, 59624

PHONE: 442-6570

REPRESENTING WHOM? MONT INNKEEPERS ASS.

APPEARING ON WHICH PROPOSAL: HB 84

DO YOU: SUPPORT? X AMEND? X OPPOSE?

COMMENTS: HB 84 is INTER RELATED TO HB 377  
and HB 782. WITH ALL THREE BILLS THERE  
WILL BE A TRIPLE TAX ON THE LODGING  
INDUSTRY.

I WILL ADDRESS ALL THREE BILLS  
ON 4-2-87 DURING THE HEARING ON HB 782.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

4/4/57

Senator McCallum,

I arrived after the proper portion of  
the HB 84 hearing today.

On behalf of the Kalispell/Red Lion, Missoula  
Red Lion Motel, & the Missoula Village Red Lion  
I would like to support this Bill.

Additionally as a fourth generation Montanan  
I feel its high time we support one of  
the States leading revenue generating industry.

I Love this State & one of its resources  
is virtually untapped.

Please consider the passage of HB 84

Sincerely,

Scott H. Jourd'heuil  
Assistant General Manager  
Red Lion Inns



February 20, 1987

Columbia Falls Aluminum Company  
Columbia Falls  
Montana 59912

Dear Sir/Madam:

The Columbia Falls Chamber of Commerce supports the legislation to be introduced by Representative John Harp that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property, amending Section 15-6-135, MCA, and providing an immediate effective date and a retroactive applicability date.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Luce", with a long horizontal flourish extending to the left.

Board of Directors  
Columbia Falls Chamber of Commerce  
Judy Luce, President

# SCHOOL DISTRICT NUMBER SIX

COLUMBIA FALLS, MONTANA 599121259

OFFICE OF THE SUPERINTENDENT  
TELEPHONE (406) 892-4321

MONTANA'S LARGEST SCHOOL DISTRICT STRETCHING FROM  
CANADIAN BOUNDARY INTO BOB MARSHALL WILDERNESS  
AND INCLUDING HALF OF GLACIER NATIONAL PARK AND  
NORTHEAST PORTION OF FLATHEAD VALLEY

February 19, 1987

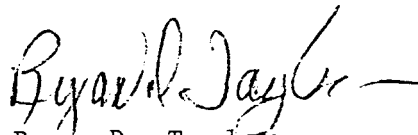
Columbia Falls Aluminum Company  
Columbia Falls, Montana 59912

Dear Jack,

School District #6 supports the legislation to be introduced by Representative John Harp, that would transfer electrolytic facilities' machinery and equipment from Class 8 to Class 5 property.

Despite the obvious impact by any adjustments or tax appeals, we support Columbia Falls Aluminum Company in their continued efforts to remain a viable industry.

Sincerely,

  
Ryan D. Taylor  
Superintendent

RDT:ca

NAME: W M T LARSEN DATE: 4-1-87

ADDRESS: 3333 BROOKS - ST MSLA MT.

PHONE: 406 - 549 - 5115 -

REPRESENTING WHOM? Thrift Western Inn -

APPEARING ON WHICH PROPOSAL: H B 84

DO YOU: SUPPORT?        AMEND?        OPPOSE? X

COMMENTS:       

DISCRIMINATORY SALES TAX - NO CAP  
ON SPENDING - IF WE NEED A SALES  
TAX - GET ONE - DONT SINGLE OUT  
ONE FACTION -

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

# MONTANA, MONEY, and MAKING MOVIES

SENATE TAXATION

EXHIBIT NO. 1

DATE 4-1-87

BILL NO. H.B. 84

## WYOMING

### THE BUFFALO BILL HISTORICAL CENTER Cody, Wyoming

**March 24-May 25, The Invitational Plains Indian Art Exhibit** will present both traditional and contemporary expressions of Indian arts. Curated by George Horse Capture, the exhibit will include "traditional" bead and quill work, buckskin, rawhide and painted robes, as well as contemporary paintings, sculpture and graphics.

**April 10-12, Cowboy Songs**, will be performed and exchanged by working cowhands, ranchers and folklorists.

**Radisson and Groseilliers**, a painting by Remington once given up for lost, is now a permanent part of the collection of the Whitney Gallery of Western Art at the Buffalo Bill Historical Center.

### THE NICOLAYSEN ART MUSEUM 596 N. Poplar, Casper, Wyoming

**March 3-29, Sculpture and Drawings by R. V. Greeves**, focuses on subject matter of Native American myths and material. The artists makes his home in Ft. Washake, Wyoming, center of the Wind River Reservation.

**March 31-April 26, Wyoming Glass Show**, a nationally advertised juried show focusing on glass-blown, moulded and other.

### THE WYOMING STATE MUSEUM Barrett Building, Cheyenne, Wyoming

**March 4-30th, Photos of Craig Scaterlee**, a series of photographs which take the viewer through time and allow her to experience today's machinery as if she were visiting ruins of the future.

**March 6-31st, Mixed Media Exhibition by Casper artist Dan Driggs**. In his first topical show, this artist has developed an exhibit around the theme of a tack shop.

**April 3-May 7, Watercolors by Jackson artists Sheila Langlois and Mixed Media by Casper artist Gordon Krause.**

### THE SECOND WYOMING BIENNIAL EXHIBITION

**April 3-28, The UCross Foundation, Big Red Barn, UCross Route, Wyoming.** The Second Wyoming Biennial Exhibition, curated by Dennis O'Leary of the Boise Gallery of Art, will continue to tour Wyoming and the region until April of 1988. Seventeen artists are represented in this exhibit, including two or three examples of each artist's work—enabling the viewer to understand the direction and content of the art. "It is my hope that the audience will come to the understanding that works of art of the highest quality with serious and meritorious content are being produced by highly committed Wyoming artists," says curator O'Leary.

## BOOKS AND SMALL PRESSES

**The Breaking of Ezra Riley, A Novel, by John L. Moore, StageLine Productions, Miles City, Montana, 1987.**

John L. Moore, a young rancher and newspaper reporter, has written this very personal novel about the relationship between fathers and sons, between humans and the heartbreaking realities of ranch life in Montana.

**Downriver: A Yellowstone Journey, by Dean Krakel, Sierra Club Books, 1987.**

Downriver blends Krakel's experiences in

Gary Wunderwald is Montana's film promotion one-man show. He's had an office in the state Travel Promotion Bureau since 1974, and just recently published the latest *Montana Motion Picture and Television Location Manual*. The glossy, 32-page book organizes the state according to what producers and directors might be interested in—historic western towns, wranglers, riders and animal trainers, construction facilities, talent, and cities large enough to accommodate Hollywood crews. Wunderwald uses this manual when he travels to Los Angeles. "A lot of times producers come here for the look of a western town," Wunderwald says. "The producers of the *The Untouchables* chose Montana because of the Hardy Bridge south of Cascade. Our book shows them what's special about Montana and entices them to come." Though *The Untouchables* contributed one million dollars of its seventeen million dollar budget to the Montana economy in 1986, Wunderwald now finds himself in the curious position of pleading with the Montana state legislature to maintain the state Film Promotion Office. "It's a matter now, with these legislative cuts, of whether or not we'll exist."

The Film Office has been an exemplary investment for taxpayers. Since 1974, it has brought in forty-six million dollars on an investment of under \$400,000. That's about sixty dollars for every dollar spent, Wunderwald figures. In the past, Montana has appropriated \$56,000 a year for film promotion, hardly enough for Wunderwald to compete with the aggressive program of incentives that neighboring states offer producers. Wyoming's promotion budget is \$195,000; Utah's is \$203,000.

Nevertheless, Wunderwald has managed to lure some big money makers to Montana. In 1986, there was *Amazing Grace and Chuck* starring Jamie Lee Curtis and Gregory Peck. Filmed in Livingston and Bozeman, Tristar left a million in the Great Falls area and brought Sean Connery and director Brian De Palma to Montana. *Stacking*, an independent feature written by Victoria Jenkins of Seattle, was filmed last year near Billings, and *The Amy Grant Special* contributed a still untapped amount of money to the Kalispell, Browning and Glacier Park communities. "Nowadays it takes about \$85,000 a day to run a Hollywood crew," Wunderwald says, "and about sixty percent of this goes into local pockets."

Wunderwald was especially pleased by the response to *The Amy Grant Special*. "I have people who have seen the show writing me every day. Newlyweds want to honeymoon here, a company interested in locating a business in Kalispell called, real estate has been sold long distance, a tour agent from the East is booking skiers into Big Mountain. You can't get much better publicity for the state of Montana than that."

—Beth Ferris

proved irresistible, no bribe close enough, the river a ring from view. Its voice of me that only the going the story of such a going. Yellowstone from its sour

**Hands and Other Poems** by Paul Zarzyski in *th ern Lights*.

**Making Hay**, by Verlyn Lyons Books, New York, 1985

Making Hay shuttles between family farm in Minnesota, the Big Hole Valley of Montana, the study is far more and Midwest are linked by relation to the unpredictable lot. "The unexpected stalks like a vagrant bent on haborg. Haymaking is the situation and we see it brought into in this fine and funny first

## FILMS AND CONFERENCES

**April 6-13, The Tenth International Film Festival, The Rocky Mountain School of Forestry, University of Montana, Missoula, Montana, (406) 241-1111.**

This year the remarkable Festival will bring to Missoula, Page, Barry Lopez, Jeffery 1 film makers from Mexico, and The Festival will include a series of programs on the status of will particularly focus on American efforts, the Indian the Mexico/Central America

**April 8-11, Religion in the roll College, Helena, Montana**

This three-day conference Montana Committee for the focus on visions held by individuals of comparative religious the participants will include Susan Peace Prize Laureate Ado from Argentina, singer Richard Berrigan and prominent Dorothy Soelle. Please contact Committee for the Human formation.

**April 8-9, Private Profit Contemporary Issues in The Mansfield Center, University of Montana, Missoula, Montana.** This lectures by Dr. Lynn Shar source Center in Washington Kent Druryvestyn, director for General Dynamics.

**April 9-11, Triumph of De Chief Joseph**—from Realism Montana College, Hav 265-3221. Sponsored by the tee for the Humanities, this unifies the cultural phenomenon from historical reality. Special Joseph Eyles Brown, professor Studies at the University of Eder, Director of Indian Montana College and Bill La Historical Society.

**March 7-May 2, Out of the sionary and Independent**





TABLE A: 1986-87 STATE TRAVEL BUDGETS BY RANK

Rank	State	Amount
1	Illinois	15,500,000
2	New York	14,836,100
3	Pennsylvania	11,864,000
4	Michigan	11,800,000
5	Tennessee	10,824,000
6	Florida	10,814,389
7	Massachusetts	9,406,448
8	Hawaii	8,464,391
9	New Jersey	8,141,000
10	California	7,836,600
11	Alaska	7,374,800
12	Georgia	6,076,603
13	Virginia	6,054,000
14	North Carolina	5,877,500
15	South Carolina	5,445,333
16	Ohio	5,273,957
17	Minnesota	5,150,350
18	Nevada	4,724,746
19	Texas	4,717,296
20	Missouri	4,224,606
21	Louisiana	4,195,460
22	Kentucky	4,006,600
23	Wyoming	3,897,721
24	Utah	3,848,800
25	Oklahoma	3,786,861
26	Colorado	3,536,000
27	Maryland	3,455,236
28	Arizona	3,421,000
29	Alabama	3,025,740
30	Washington	3,017,785
31	Arkansas	2,931,282
32	Wisconsin	2,443,400
33	West Virginia	2,425,660
34	South Dakota	2,200,000
35	Indiana	2,100,000
36	New Mexico	2,082,900
37	New Hampshire	1,894,287
38	Idaho	1,788,324
39	Vermont	1,610,700
40	Mississippi	1,584,000
41	Connecticut	1,500,000
42	Iowa	1,489,981
43	Delaware	1,348,500
44	Rhode Island	1,313,000
45	Nebraska	1,308,679
46	Oregon	1,250,000
47	Kansas	1,236,949
48	Maine	1,209,245
49	Montana	1,186,000
50	North Dakota	670,000
TOTAL		234,170,229

SENATE TAXATION

EXHIBIT NO. 2

DATE 4-1-87

BILL NO. H.B. 84

DATE 4-1-84NAME: PAMELA HOEDELBILL NO. H.B. 84DATE: 4/1/87ADDRESS: PO BOX 7577 MISSOULA, MT 59807PHONE: 543-6623REPRESENTING WHOM? MISSOULA AREA CHAMBER OF COMMERCEAPPEARING ON WHICH PROPOSAL: HB 84DO YOU: SUPPORT? ☒AMEND? ☒OPPOSE? ☐

COMMENTS:

The Missoula Chamber believes it is time for Montana to increase its investment in tourist promotion. Orienting tourists to Montana as a first choice for vacations requires promotion on a larger scale than can be effectively accomplished by the private sector alone. While the Chamber understands the sincere and significant plight of cities and towns it does not believe that tourism will increase to a significant enough degree to represent an adverse impact on streets, fire or law enforcement systems. Indeed, the fondest dream of this Chamber would be for tourism to grow in the next 2 years to the point where these concerns would be in the forefront.

HB 84 provides the opportunity to begin a funding mechanism

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

to increase tourism. This Chamber firmly believes that a healthy economy can provide the tax base needed for local governments and that an increase in tourism is a key to providing a healthier economic base.

→ The Missoula Chamber would ask the

AMENDMENTS TO HB 84

1. Page 2, line 15  
Following: "motel"  
Strike: "dormitory"
2. Page 6, line 16  
Following: "department"  
Strike: "is statutorily appropriated, as provided  
in 17-7-502, 2% of"  
Insert: "may spend from"
3. Page 6, lines 18, 19  
Following: "account"  
Insert: "in accordance with an expenditure based  
on an estimate of"
4. Page 6, line 19  
Following: "estimate of"  
Strike: "each reporting period"
5. Page 6, lines 23, 24  
Following: "the"  
Insert: "expenditure"  
Strike: "statutory"  
Strike: "for collection and disbursement"
6. Page 6, line 24  
Insert: "are"  
Strike: "is"
7. Page 7, line 4  
Following: "commercial"  
Insert: "to the Montana Historical Society and to  
the University system,"
8. Page 7, line 5  
New subsections  
Insert: "(a) 1% to the Montana Historical Society to  
be used for the installation or maintenance of  
roadside historical signs and historic sites;  
and  
(b) 2.5% to the University system for the estab-  
lishment and maintenance of a Montana travel  
research program;  
(c) the balance of the fund as follows:"
9. Page 7, line 5  
Following: "department"  
Insert: "Commerce;"

SENATE TAXATION

EXHIBIT NO. 4

DATE 4-1-87

BILL NO. H.B. 84

10. Page 7, line 6  
Following: "(1) (c);"  
Strike: "21.5%"  
Insert: "25%"
11. Page 7  
Strike: lines 19-24
12. Page 10, line 8  
New subsections  
Insert: "(e) direct the University system regarding  
Montana travel research;  
(f) approve all travel research programs  
prior to their being undertaken."
13. Page 13  
Strike: lines 23-25
14. Page 14  
Strike: lines 1, 2

SENATE TAXATION

EXHIBIT NO. 4

DATE 4-1-87

BILL NO. H.B. 84



Amendments

House Bill 84  
Third Reading

1. Page 5  
Following: Line 4

Insert:

(4) Except in the case of a person who, with intent to evade the tax, purposely or knowingly files a false or fraudulent return violating the provisions of the chapter, the amount of tax due under any return shall be determined by the department within 5 years after the return was made and the department thereafter shall be barred from revising any such returns or recomputing the tax due thereon, and no proceeding in court for the collection of such tax shall be instituted unless notice of any additional tax was provided within such period.

(5) An application for revision may be filed with the department by an owner or operator within 5 years from the original due date of the return.

SENATE TAXATION

EXHIBIT NO. 4

DATE 4-1-87

BILL NO. H.B. 84

SENATE TAXATION COMMITTEE

Mr. Chairman and Members of the Committee:

My name is Ted Skelton from Conrad, Montana. I own and operate the 104 unit Super 8 Motel in Missoula, Montana.

I wish to take this opportunity to thank the committee for the time to testify on the Bed Tax Bill.

While I support House Bill 84 as the best of the Bills introduced relative to taxation of sleeping rooms. I would like to express my overall opposition to any such tax.

This is a selective sales tax which the burden of financing will fall upon the motels and hotels in this state. This bill is being sponsored by the owners of large Four Star Convention Center type hotels and is being represented to appear as being supported by all the motel industry. I want you to know that this is far from being true. This resolution of support from the Montana Innkeeper does not in any way represent the majority of us. We are not in favor of paying for this advertizing, or any of the other uses that have been suggested as recipients of these monies.

I am sure that we could be financing our own doom, and let me explain why. Prior to 1984 and 1985, the number of rooms in Missoula were nearly adequate each summer night to accomodate all the tourists. I will admit that on occasion late travelers would have to travel on to the next town, but that was not often. Now keep in mind that the tourist season is June, July, and August (Vacation time for students), September and early October is Senior Citizen travel time. This amounts to four months. So, the remaining eight months are very competitive and unprofitable months. During these months motel's have to reduce rates, and offer many different promotions to try to fill their rooms.

In 1984 and 1985 Missoula had a building boom and added several hundred new rooms, now the scenario has changed; more than enough rooms in the summer, and far to many rooms in the winter bidding for the same number of guests as before. The result is a far lower occupancy and lower average daily rate than before the new rooms were added.

I am certain that if indeed this bed tax promotion was successful in bringing more tourists to Montana, it would be only in the "Tourist's Months" that I have mentioned because their aren't any tourists traveling Montana's highways in the winter, and an increase in summer travel would invite a statewide building boom that would saturate the market with rooms that would further reduce off season occupancy rates. It would be a repeat of what Missoula has experienced these past two years.

This would be totally devistating to those of us who sell only sleeping rooms. Also during the off season when occupancys are down and competition strong, the motels will pay the tax themselves to induce guests to stay, We'll have to!!!

Motels with bars and or restaurants will gain some revenue on that side to help defray the tax on their rooms.

My last and certainly important point is: This is another tax upon Montana people. During any calander year, far more Montanan people stay in Montana

SENATE TAXATION

EXHIBIT NO. 5

DATE 4-1-87

motels than do people from out of State. Let me repeat this is a selective sales tax upon Montanan people.

Members of this committee, I urge you to kill this bill, don't let it kill us with more rooms that we can't fill during the eight months of off season, and with another tax that we can't afford to pay.

Thank you.

SENATE TAXATION

EXHIBIT NO. 5

DATE 4-1-87

BILL NO H.B. 84

SUPPORT

*Chairman, Committee Member*  
*HB 851*

*Enter Reso- files*  
SENATE TAXATION  
EXHIBIT NO. 6  
DATE 4-1-87  
BILL NO. H.B. 851

MAYOR COLLEEN ALLISON - CITY OF COLUMBIA FALLS, MT.

A FEW WEEKS AGO I WAS PRIVILEGED TO BE A PART OF A DISCUSSION THAT I FOUND EXCITING IN CONCEPT. IT WAS BUSINESS SITTING DOWN WITH TAXING ENTITIES AND DISCUSSING A MUTUAL CONCERN ... THEN AGREEING TO SUPPORT THE BILL NOW BEFORE YOU. THINK ABOUT IT...TAXING ENTITIES, CITY AND SCHOOL DISTRICT AGREEING TO A PROPOSAL BY WHICH THEY LOSE TAX DOLLARS. SANE...???? YES...INDEED. SUPPORTING BUSINESS, THEREBY KEEPING AND SUPPORTING JOBS...AND AS A RESULT THE TAXING CIRCLE STAYS ALIVE AND WELL. BUSINESS THRIVES.....GOVERNMENT THRIVES. A SIMPLE ENOUGH FORMULA, NOT ALWAYS EASY TO ACCOMODATE. BUT CERTAINLY NECESSARY TO OUR ECONOMIC HEALTH. THE CITY DOES NOT SUFFER DIRECTLY FROM A TAX ADJUSTMENT. WE MOST CERTAINLY WOULD SUFFER IF ONE THIRD OF OUR CITY TAXPAYERS WERE OUT OF WORK. THOSE ARE THE STATISTICS WE WOULD HAVE TO RECOGNIZE ONE THIRD IN THE CITY PROPER AND ONE FOURTH WITHIN THE SCHOOL DISTRICT. LESS TAX DOLLAR IS BETTER THAN NO TAX DOLLAR. WE ARE MAINLY INTERESTED IN KEEPING THE ALUMINUM PLANT ALIVE AND WELL.

TWO AND ONE HALF YEARS AGO WE FELT THE COLD, PIT OF THE STOMACH SINKING FEELING WHEN AN OFFICER OF ATLANTIC RICHFIELD CALLED ME INTO THE PLANT AND TOLD ME THEY WERE GOING TO EITHER SELL THE PLANT OR CLOSE IT.

IT BECAME APPARENT OUR ONLY SOLUTION WAS TO JOIN IN THE SWELLING SUPPORT TO SELL THE PLANT. THE COMMUNITY (FLATHEAD COUNTY) ROSE UP AND DID JUST THAT. ONE OF THE PRIME CONCERNS OF THE POTENTIAL BUYER WAS ENERGY RATES. THE COMMUNITY TOOK THE LEAD POSITION ON ADDRESSING THE ENERGY RATES THROUGH THE PUBLIC HEARING PROCESS 3,000 PLUS ATTENDANCE EACH OF TWO HEARINGS. THEY ALSO NEED WAGE CONCESSIONS, WHICH THEY RECEIVED, FREIGHT RATES...WHICH WERE ADDRESSED AND LAST BUT FAR FROM LEAST THEY NEEDED A TAX STRUCTURE THAT WAS SUPPORTIVE NOT DESTRUCTIVE. TAX THEM FAIRLY, AND THE STATE, COMMUNITIES, SCHOOL DISTRICTS AND COUNTY WILL THRIVE...TAX THEM UNFAIRLY AND WE MIGHT NOT HAVE THE PLEASURE OF TAXING THEM AT ALL. IF THE ALUMINUM COMPANY CANNOT MAKE A PROFIT, THEY CANNOT PAY PROFIT SHARING...THEY CANNOT BE COMPETITIVE ON THE WORLD MARKET AND THERE WILL BE NO SENSE WHATSOEVER DOING BUSINESS IN MONTANA.

ONE OF THE THINGS WE FACED WHEN WE THOUGHT WE WOULD LOSE THE PLANT WAS...NEVER AGAIN SHOULD WE ALLOW OURSELVES TO BE IN THE POSITION WHERE ONE COMPANY PAID 10% OF THE COUNTY TAX BILL.//NOT ONLY UNFAIR...NOT VERY SMART OF US// THEY GO, WHAT HAPPENS. POINT...DIVERSIFY...SPRED THE TAX DOLLAR ... ENCOURAGE NEW AND OLD BUSINESS. THIS BILL BEFORE YOU MAKES SENSE. ENCOURAGE BUSINESS TO SAY AND THRIVE IN MONTANA ... AND PAY ALOT OF INCOME TAX. THEY DO WELL...WE DO WELL... THEY LEAVE THE STATE... A STRONG LEG OF OUR SUPPORT STRUCTURE CRUMBLES. 5.5% of THE STATES PAYROLL TOTAL... PACKED UP AND GONE. DON'T LET THAT HAPPEN.

*Enter Reso - City of Columbia Falls*

RESOLUTION NO. 807

BE IT RECOGNIZED, THAT THE CITY OF COLUMBIA FALLS, ON THIS DATE OF MARCH 5, 1987, DOES SET FORTH IN RESOLUTION THE FOLLOWING:

We, the Mayor and Council of the City of Columbia Falls, Montana, do support by Resolution the legislation now before the Legislature of the State of Montana, that would amend Montana Code #15-6-135 to allow the Columbia Falls Aluminum Company to be moved from Class 8 to Class 5 for taxation purposes.

FURTHER, we continue to be aware of the necessity to support and work with the Columbia Falls Aluminum Company, as they employ many of our citizens, which in turn assists the total economy of our area and state.

We as citizens of the State of Montana need to work actively to support business in our state and help them be prosperous. THEY MAKE MONEY ... WE MAKE MONEY.

PASSED AND ADOPTED BY THE CITY COUNCIL OF COLUMBIA FALLS, MONTANA, THIS 5th DAY OF March, 1987, THE COUNCIL VOTING AS FOLLOWS:

AYES: Styler, Guidi, Stampin, Mayor Allison


NOES: Waltmire

ABSENT: Souhrada (INDICATED VERBAL APPROVAL PRIOR TO MEETING)

ABSTAIN: France

  
Deputy City Clerk

APPROVED BY THE MAYOR THIS 5th DAY OF March, 1987.

  
Mayor

ATTEST:

  
Deputy City Clerk

# Opinion

The Daily Inter Lake, Kalispell, Montana, Sunday, March 15, 1981

## Give CFAC its tax reduction

This week, House Bill 851 will be aired before the House Taxation Committee. The bill, with a simple bookkeeping change, would give the fledgling Columbia Falls Aluminum Co. a tax cut worth about \$900,000.

It's a tough call, but despite the added pressure that tax cut will place on schools and local governments, the bill deserves the committee's OK.

HB851 is not the kind of bill that's easy to support. It is special-interest legislation in that it benefits only one taxpayer, possibly at the expense of other taxpayers.

Special-interest legislation won't solve Montana's problems. What Montana needs is sweeping tax reform to broaden the tax base and equalize the load.

But what we need and what we'll get, unfortunately, are apt to be much different. And what we do NOT need is to make it tougher for a major employer to continue doing business in the state.

CFAC says its plant is worth \$30 million; the state says \$140 million. A figure somewhere in between seems reasonable. While tax bills are hard to compare directly from state to state, CFAC is at a decided disadvantage compared to other Northwest aluminum plants. CFAC's annual tax bill is about \$2.4 million; Washington and Oregon plants average less than \$1 million.

One thing is certain: The plant's worth nothing if it's shut down.

A year and a half ago when CFAC sought — and got — wage, power, and freight rate concessions, company officials said they would also seek property tax concessions to make the Columbia Falls plant more competitive in the world market. Back then, to most taxing jurisdictions, a reduced tax payment from the aluminum plant seemed a small price to pay to save hundreds of jobs and the plant.

It still does.

With lower costs and greater efficiency, the plant prospered last year. It is not in

immediate danger of closing. As long as it remains competitive, it will thrive, and that's what HB851 is all about — reducing the cost of doing business in Montana so a major employer can prosper and provide jobs for Montana workers.

When the Washington Corps. reopened metals operations in Butte, the Montana Department of Revenue negotiated a lower tax rate to give the new operators a leg up.

But CFAC has had little luck negotiating a similar break from the Department of Revenue. So the company turned to the Legislature for relief. Frankly, a negotiated settlement with the Department of Revenue is preferable to HB851, but no one can — or will — compel the DOR to negotiate.

Eventually, when the state decides it wants a measure of prosperity we do not now have, the Legislature will enact sweeping tax reforms and adjust spending priorities. Until then, we will have to be satisfied with short-term measures to protect the jobs we have.

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-1-87

BILL NO. H.B. 851

March 12, 1987

To Whom it may concern:

I support H. B. #851, even though it will have an instant effect upon Flathead County budgeting. I could also not support H. B. #851 if I used the reasoning that all industries and citizens were or should get a tax break.

These things are probably true, but please, realize with me what supporting H. B. #851 does for Flathead County, such as:

- 1) It will stabilize an industry so sorely needed in Flathead County as it employs 770 people.
- 2) The bill will reduce C. F. A. C.'s taxes by one million dollars but if they were to close, we would lose over two million dollars in a very short time. Plus, those 770 people would be looking elsewhere for jobs, thus, losing the amount of taxes they would be paying.
- 3) Of these 770 people, approximately 600 will own homes. Of these, maybe one hundred will try to stay in the Flathead, leaving five hundred homes placed upon the market. This influx of realty will destroy the prices on all homes for sale in the County.
- 4) The loss of these 770 payrolls will have a tremendous impact upon all business in Flathead County. Many will be forced to close. In this present period of hard dollars, our people cannot afford this to happen.

I would like to point out that other businesses are having a tough time but some have had tax breaks contrary to some public opinion. I am a farmer and rancher besides being a County Commissioner. Therefore, I am a businessman feeling the "crunch". I would like to also point out, that farm land has not been re-evaluated since 1978, except for a few parcels done by request. In other words, their taxing level has remained the same. Taxes on our cattle use the inventory averaging method and stock under nine months old are not taxed at all.

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-1-87

The timber industry has had their lands re-appraised and their percentage of taxable evaluation was dropped from 30% to 3.84%.

I would also like to add that I am very actively in support of economic development. Statistics have proven that it is much cheaper and surer to enhance the stability of our already founded and proven businesses, than it it to procure new businesses that may be in doubt.

In closing, I apologize for not speaking to you in person, but I must be in Washington D. C., representing Montana on the Western Interstate Regional Board for the National Association of Counties at the time H. B. #851 is to be heard.

Sincerely,



Allen A. Jacobson, Commissioner  
Flathead County, Montana

SENATE TAXATION

EXHIBIT NO. 7

DATE 4-1-87



**COLUMBIA FALLS ALUMINUM COMPANY**

P.O. Box 10  
Columbia Falls, Montana 59912  
Telephone 406 892-3261

April 3, 1987

The Honorable George McCallum  
Montana Senator  
Capitol Station  
Helena, MT 59620

RE: HB 851

Dear Senator:

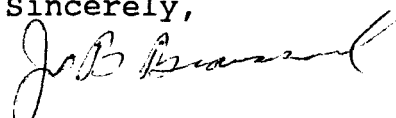
I am writing you on behalf of Columbia Falls Aluminum Company (CFAC), to ask your support of HB 851, a bill to reduce CFAC's personal property tax. The bill is essential to make CFAC competitive in the world aluminum market. HB 851 enjoyed wide support in both the House and Senate Tax Committees, including most affected local governments in the Flathead area, local chambers of commerce, the Aluminum Workers' Trade Council, and other local organizations, despite the fact the bill primarily reduces local property tax revenues. This support is obviously in recognition that it is important, both to the affected local community and the State of Montana, to preserve Montana's only aluminum facility. The legislation passed the House 81-15.

The only significant concern raised in the Senate Taxation Committee was that double tax benefits or "stacking" of tax benefits might occur if a sales tax (such as that proposed in HB377) is enacted which contains property tax reductions. It is not the intent of CFAC's management to seek any legislative relief other than that provided in HB 851. If other pending legislation is enacted which would in future years provide significant property tax relief to CFAC beyond that contained in HB 851, CFAC's management pledges to work with the Legislature at that time to ensure that only the intent of HB 851 -- to put CFAC in a competitive position -- is carried out by supporting appropriate changes in other property tax laws which might affect our company.

Enclosed is a fact sheet providing further background information on the bill.

On behalf of all the employees of CFAC, let me thank you in advance for your support.

Sincerely,



Jerome Broussard, President

Enclosure

SENATE TAXATION  
EXHIBIT NO. 8  
DATE 4-1-87  
FILE NO. 11 R 851

Fact Sheet On HB 851

Background on Columbia Falls Aluminum Company

Columbia Falls Aluminum Company (CFAC), the largest employer in Flathead County, competes today in the world market for contracts to reduce alumina ore to aluminum. There are approximately seven other aluminum plants currently in operation in the Pacific Northwest, with two other facilities temporarily closed but scheduled to come back on-line under new management in the near future. In addition, CFAC competes with Canadian and third-world country plants which enjoy the advantages of subsidized power and/or low employment costs. CFAC, under its new management, is aggressively working to maintain its competitive posture by reducing operating costs. To date, CFAC management has been successful in reducing its costs in all major areas save one: reduction of its property tax burden.

The Columbia Falls aluminum reduction plant was built by the Anaconda Company in 1955 to take advantage of its close proximity to the then-cheap electricity generated by Hungry Horse Dam. The plant was expanded from two to three potlines in 1965 and to five potlines in 1968. In 1976, Anaconda sold the plant to the Atlantic Richfield Company. In 1983, ARCO decided to divest its metals division and in September of 1985 the Columbia Falls plant was sold to the Montana Aluminum Investors Corporation (MAIC). MAIC is a stand-alone Montana corporation with no ties to any other corporation or company. It is a 'new business, with new senior management operating CFAC.

In order for CFAC to compete in a highly competitive and mature international aluminum market, several cost-cutting measures have been implemented since late 1985 to make the new business plan work:

- The number of employees was reduced from 960 to under 800.
- All employees agreed to a 20 percent reduction in wages and benefits. Vacation pay was scaled back and paid holidays were reduced from 12 to 6 per year. Even with these reductions, CFAC's annual wage and benefit package exceeds \$28 million.
- The Bonneville Power Administration was persuaded to tie the cost of power to the selling price of aluminum.
- Burlington Northern Railroad granted concessions in transportation costs.
- Other major suppliers have also offered price concessions.

As noted above, the remaining outstanding issue that places CFAC in a non-competitive position is its property tax burden. The average of all taxes (including property, sales, business and occupation, and other taxes) paid by each of the seven other operating aluminum plants in the Northwest is approximately \$750,000. In contrast, the 1986 tax levied upon CFAC by Flathead County is \$2.4 million. The current assessed value of the Columbia Falls plant is \$148 million. An independent appraiser, however, has valued all of CFAC's assets at approximately \$30 million.

CFAC supports legislation which would decrease the fixed costs of the property tax levied upon its machinery and equipment by changing the classification of this personal property from class 8 to class 5, with a corresponding reduction in the classification rate from 11% to 3%. CFAC believes that placing its personal property in class 5, which includes new industry and pollution control equipment (as well as electric and telephone cooperative property) is a more fair and equitable treatment of its property and permits CFAC to compete more effectively in the world market.

SENATE TAXATION

EXHIBIT NO. 8

DATE 4-1-87

BILL NO. H.B. 851