

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on February 9, 1989, at 9:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 117

Presentation and Opening Statement by Sponsor:

Senator Tom Keating, District 44, stated Senate Bill 117 was a referendum to the voters to amend the Constitution of the State of Montana to cap the permanent coal trust severance tax trust fund. Senator Keating distributed a cash flow chart of the coal severance tax trust fund. (Exhibit 1). He stated the trust fund at the present time, is approximately 390 million dollars. He distributed another handout indicating the coal severance tax allocations for fiscal years 1990 and 1991. (Exhibit 2). Senator Keating stated that by June of 1991, there will be approximately 440 million dollars in the fund. He said his reason for offering this amendment to the voters was to allow them to reconsider their decision after ten to twelve years of operation. Senator Keating stated that the state is short of revenue for all public services and particularly in the area of education and highways. He said \$25,000,000.00 is going into the trust each year at a time when there is a need for services funding. The permanent trust was established in the beginning for two reasons: 1) a legacy for future generations when the coal is gone and 2) a reclamation trust fund to repair coal mining damage. He stated there is a 2,000 year supply of coal in the state which is enough for 40 generations to come so there is no need to leave a legacy. Secondly, in regard to the reclamation of damages, coal companies are required by law to restore the ground to its original condition and no state money has been spent for this purpose. The arguments are now invalid and the public should have the opportunity to

reconsider how they would like to address the coal severance tax. The permanent trust would not be touched, but capped at 440 million dollars. This trust is inviolate except by three quarters vote of both houses of the legislature, but it no longer requires that half of the coal tax be put into the savings account. This referendum must be on the ballot during the general election of 1990 for the vote of the people and Senator Keating stated he thought it was time the people had the chance to act on this.

Testifying Proponents and Who They Represent:

Dennis Burr, Montana Taxpayers Association
Ken Nortveldt, Director, Department of Revenue

Proponent Testimony:

Dennis Burr stated that the revenue this bill would allow to be diverted from the permanent trust is approximately equivalent to the revenue from the income tax surcharge. He stated that if the people were given the choice, he was sure they would choose the funds be diverted from the permanent trust rather than have the 10% surcharge reinstated for another two years.

Ken Nortveldt stated this bill was part of the administration's proposal to the legislature for balancing the budget. He stated there should be no new taxes imposed when there is a fund available from previously collected taxes. Dr. Nortveldt stated the coal itself is the legacy and the resource for Montana's future not the tax revenue. He urged the committee to look at this means of balancing the budget.

Testifying Opponents and Who They Represent:

Vern Vertleson, Concerned Citizen
Bob Dozier, Northern Plains Resource Council
Richard Parks, Northern Plains Resource Council
Eric Fever, Montana Education Association
Harriet Meloy, Montana League of Women Voters
Kris Kaufman, Montana Environmental Association
Rep. Bob Raney, House District 82

Opponent Testimony:

Vern Vertleson stated he felt the coal tax money should continue to be place in the trust fund. He stated many of the productive uses established for the trust have been removed. Mr. Vertleson stated that removing the flow of funds into the trust eliminates future and present benefits. He stated that the trust is being depreciated by using all of the interest monies. He said the fund makes the state a very stable place to lend money and that is why Montana has one of the highest bond ratings in the nation. Mr.

Vertleson stated there are better solutions to the budget balancing problems than raiding the coal trust.

Bob Dozier distributed a copy of the present coal tax law. (Exhibit 3). Mr. Dozier spoke in opposition to the bill. (Exhibit 4).

Richard Parks spoke in opposition to the bill. (Exhibit 5).

Eric Fever stated the education trust once had over \$80,000,000.00 and is now nearly depleted because it has been used for other funding. He said the state is not better off for this type of depletion. He stated no fund seems to be inviolate although the education trust fund was intended to be. Mr. Fever said he was not ready to surrender the constitutional protection of the education trust. He stated SB 117 was bad tax policy and sends a negative message to the people.

Harriet Meloy spoke in opposition to the bill. (Exhibit 6).

Rock Ringling stated that in the state of Colorado in 1982, they placed their coal tax fund and the interest on the fund into their general fund to avoid raising taxes. He stated that this year, they have had to raise taxes or create new ones. He urged a do pass on the bill.

Kris Kaufman stated the state cannot continue to depend on an extraction industry for general funding and also because of the greenhouse effect. The burning of coal is the single largest contributor to the greenhouse effect and this will become more and more important with the passage of time. She urged a do not pass on the bill.

Rep. Raney stated the coal industry has been a "boom and bust" industry. The greenhouse effect will eventually require the end of the use of fossil fuels. The industry is a non-renewable industry and will eventually end with the resultant blow to the economy. SB 117 increases reliance on an unstable source of income. He stated the trust was the stability, not the coal and SB 117 stops the growth of that stability. Capping the trust will immediately start depletion of the trust fund and would be a short term solution to fiscal problems. Rep. Raney said if the trust is capped, then the next step will be to spend the trust. He stated the people of Montana do not understand the complexities of the coal trust and that they would vote for the referendum in order to obtain a tax break. Rep. Raney stated this was very irresponsible legislation and recommended a do not pass on the bill.

Questions From Committee Members: Rep. Giacometto asked Mr. Fever if the bill was rearranged and 50% was dedicated to the equalization fund, would he support the bill. Mr. Fever

answered no.

Rep. O'Keefe asked Dr. Nortveldt about the bonding issue mentioned by Vern Vertleson. Having been involved in bond lending previously, he stated he was told by bankers and lawyers that if the coal trust fund was capped at any time, bond rates would go up and the bond rating for the state would go down. This would apply to all the municipalities in the state. Rep. O'Keefe asked what would be the monetary loss to the state in this respect. Dr. Nortveldt replied that no one should believe everything Wall Street Bankers say. They do not want to take any risk at all on bonds. He stated if an amount of bonds were issued that exhausted the amount of the trust, there might be a problem but the state is in not in any way close to this situation.

Closing by Sponsor: Senator Keating stated that the permanent coal trust is not the collateral for bonds. The collateral is the flow of the severance tax money. He stated there is \$50,000,000.00 available for loan in the Montana Economic Development Instate Investment Fund and so far, only \$20,000,000.00 has been loaned because they cannot find qualified borrowers. Therefore, the bonding is not in jeopardy by capping the trust fund. The endowment for future generations has been mentioned but if Montana were a country, it would be third in the world in coal reserves. Senator Keating stated that if the committee really believed in the system, they should let the people make the choice.

DISPOSITION OF SENATE BILL 117

Motion: None

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: None. SB 117 will be considered in executive session at a later date.

HEARING ON HOUSE BILL 494

Presentation and Opening Statement by Sponsor:

Rep. Janet Moore, District 65, stated her bill deals with taxation on smokeless tobacco products. Rep. Moore submitted a document indicating background on the smokeless tobacco products tax and her written testimony before the committee. (Exhibits 7 and 8).

Testifying Proponents and Who They Represent:

Rep. Hal Harper, House District 34

Chris Herbert, Montana Dental Hygienists
Rosetta Kamlowky, American Cancer Society
Greg Grepher, Office of Public Instruction
Beth O'Halloran, Montana Federation of Teachers
Eric Fever, Montana Education Association
Jim Aarons, President, Montana Hospital Association
Earl Thomas, American Lung Association

Proponent Testimony:

Rep. Harper stated he was in strong support of the bill. He stated there was a great difference between the nicotine equivalent in a can of chewing tobacco than in a package of cigarettes. He said many young people say they do not want to smoke and yet they use chewing tobacco, even as young as six years old. Rep. Harper stated this was a very responsible step to assist the budget balancing problems in the state as well as possibly assist in the control of tobacco use.

Chris Herbert spoke in support of the bill. (Exhibit 9).

Rosetta Kamlowky spoke in support of the bill. (Exhibits 10 and 11).

Greg Grepher stated this bill will provide needed money for school equalization and urged the committee's support.

Beth O'Halloran urged support and do pass of the bill.

Eric Fever stated his organization supports the bill and urged a do pass.

Jim Aarons stated hospitals see the effects of tobacco chewing and hope that possibly this tax would prevent further health problems because of tobacco, especially among children. He urged a do pass.

Earl Thomas spoke in support of the bill and submitted an informational document. (Exhibits 12 and 13).

Testifying Opponents and Who They Represent:

Gene Phillips, Kalispell, Smokeless Tobacco Council
Tom Maddox, Montana Association of Tobacco and Candy
Distributors
Jerome Anderson, Tobacco Institute

Opponent Testimony:

Gene Philips stated that he was in support of any bill to stop minors from purchasing tobacco products. He stated he felt it was a matter of free choice for adults if they wished to use it and a 25% sales tax should not be imposed

on one commodity to fund the school foundation program but instead, there should be equal taxes on all commodities.

Tom Maddox spoke in opposition of the bill. (Exhibit 14).

Jerome Anderson asked the committee to consider the purpose of the tax. The money goes into the long range tax and the debt retirement fund. He urged a do not pass.

Questions From Committee Members: Rep. Patterson asked Mr. Maddox the wholesale price of a can of chewing tobacco. Mr. Maddox replied he did not have this information but he could state the price of snuff which is \$1.35. Rep. Patterson asked if he could supply that information to the committee.

Rep. Gilbert asked Rep. Moore if her bill did not tax all tobacco products except cigarettes. She replied this is true.

Closing by Sponsor: Rep. Moore stated that House Speaker Vincent supports the bill but he was not able to attend the hearing. She stated some states only tax cigarettes and no other products but Montana taxed all of them. She stated all the products should be taxed for the benefit of the children of Montana and hoped the committee will pass the bill.

DISPOSITION OF HOUSE BILL 494

Motion: None

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: None. HB 494 will be considered in executive session at a later date.

HEARING ON HOUSE BILL 525

Presentation and Opening Statement by Sponsor:

Rep. Chuck Swysgood, District 73, presented a proposed amendment to the bill. (Exhibit 15). He stated his bill is an act to establish the value of talc for net proceeds tax and the resource indemnity tax. Rep. Swysgood stated the value of talc has been the subject of litigation in Montana almost consistently since 1970 because this is a unique material that is not processed and sold in the same manner as oil, gas or metals which have been assessed under the net proceeds method. Under this tax, the starting point is the gross yield or value from mining. Other products are sold from mines or wells so a value can be established for the

product. Talc is not sold until it is processed into a consumer product such as baby powder. This causes difficulties for both the producer and the Department of Revenue in establishing an initial value for mining operations. Deductions are allowed from gross value in determining the net proceeds. Deductions have been expanded and modified by court decisions over the past twenty years because of the uniqueness of the product. HB 525 simply establishes by law a value for talc for tax purposes. The value of \$4.25 per ton for 1989 is somewhat higher than the state average for 1988. The bill will cause the price to increase each year according to increases in the consumer price index. This bill will provide a dependable tax basis for local government in Madison County where most of the mines are located and will also eliminate the litigation problems by both the state and the producer and taxes will not be paid under protest.

Testifying Proponents and Who They Represent:

Dennis Burr, Montana Taxpayer's Association
Gary Langley, Montana Mining Association
Glen Keyes, Phizer Corporation, Dillon
Ward Shanahan, Attorney, Helena
Rep. Robert Hoffman, House District 74
Ken Norddvelt, Director, Department of Revenue
Mike Lorang, Cyprus Industrial Minerals
Tim Walkrude, Montana Talc Company

Proponent Testimony:

Dennis Burr stated there is a need to clarify problems with the net proceeds tax which was originally designed for copper. Modifications were not made in this tax until 1972. One of the major problems with the net proceeds tax is that there can be production but no net proceeds since allowable deductions can wipe out the tax. HB 525 is designed to correct this situation. The major problem with talc is that there is no value at the mine and the tax is an arbitrary number for this reason. The \$4.25 per ton is a fair evaluation for the product. An evaluation has been placed on talc according to costs which is not an equitable method. If the talc is lying on the ground, it costs little so it is considered of little value but if it is mined, then it becomes much more valuable. Mr. Burr stated HB 525 will clarify this situation and urged support of the bill.

Gary Langley stated the mining industry was seeking consistency in taxation. Taxes are a significant part of any mine's operating costs. Mr. Langley stated the mining industry was not seeking any tax reduction. He said the industry was willing to pay their taxes as long as they are fair and consistent. He stated this bill will provide some of the consistency they are seeking. He said because of the diversity and changes in the industry, the time has come for

changes and modernization in the tax laws.

Glen Keyes urged support of HB 525 in order that the corporation he represents may plan and establish sound financial reasoning and future growth planning in Montana.

Mike Lorang urged support of HB 525 for financial planning for his company also.

Tim Walkrude urged support of HB 525.

Ward Shanahan stated he is an attorney in Helena and his practice has primarily been the mining industry tax problems. He urged support of the bill.

Rep. Robert Hoffman stated that people from Madison County were unable to testify for this bill due to bad weather and other problems. He stated that the net proceeds tax has been a very serious problem in Madison County since the value of talc represents from 10 to 15% of the total taxable value in the county. He stated Madison County supports the bill since it will enable them to have stability in the tax base.

Ken Nortveldt stated the bill is part of a bigger issue which is the basic problem with the net proceeds tax. He stated it was an income tax masquerading as a property tax and was not cost effective for the Department of Revenue. He said it is difficult to establish the value of talc and therefore difficult to establish an equitable tax on this product. He stated there was a need for a stable and a fair tax and not an income tax.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Giacometto asked Mr. Langley if other types of nonmetal mining might come under this same tax situation. Mr. Langley replied there had been discussions regarding this but at the present time, they have no solution as to how to work in other industrial metals. Mr. Shanahan responded one of the problems with the tax is determining the valuation point and the method of valuation to be used. There is a different cutoff point for different minerals. No rules establishing cutoff points or valuation methods have been adopted by the DOR. Rep. Giacometto stated if there is a lot of bills in this area, it is important to set the precedent now, therefore does this bill need to be modified and will the mechanism work. Dennis Burr responded stating he thought it would work quite

well.

Rep. Driscoll stated the DOR said the five year talc average was \$5.58, why use \$4.25. Mr. Burr replied the average was high because of higher costs to the company in mining the talc, not a higher value on the talc. There were two high years and three low years and the \$4.25 is the average of this.

Rep. Elliott asked about the value of the tax paid to the counties in the last fiscal year. Dennis Burr replied in 1985, \$326,569.00, in 1986, \$388,000.00, in 1987, \$318,400.00 and projected for 1988, \$389,000.00.

Closing by Sponsor: Rep. Swysgood stated insight had been demonstrated by the testimony into the complexities and problems that occur when mining operations are under the net proceeds tax system. Talc is a totally different type of mineral than any other mined in the state and the quality of the talc is very high. He stated this needed to be preserved and the businesses need the clarification and fairness of the tax which HB 525 will establish.

DISPOSITION OF HOUSE BILL 525

Motion: None

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: None. HB 525 will be considered in executive session at a later date.

ADJOURNMENT

Adjournment At: 11:05 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

3415.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date February 9, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman			
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

EXHIBIT 1

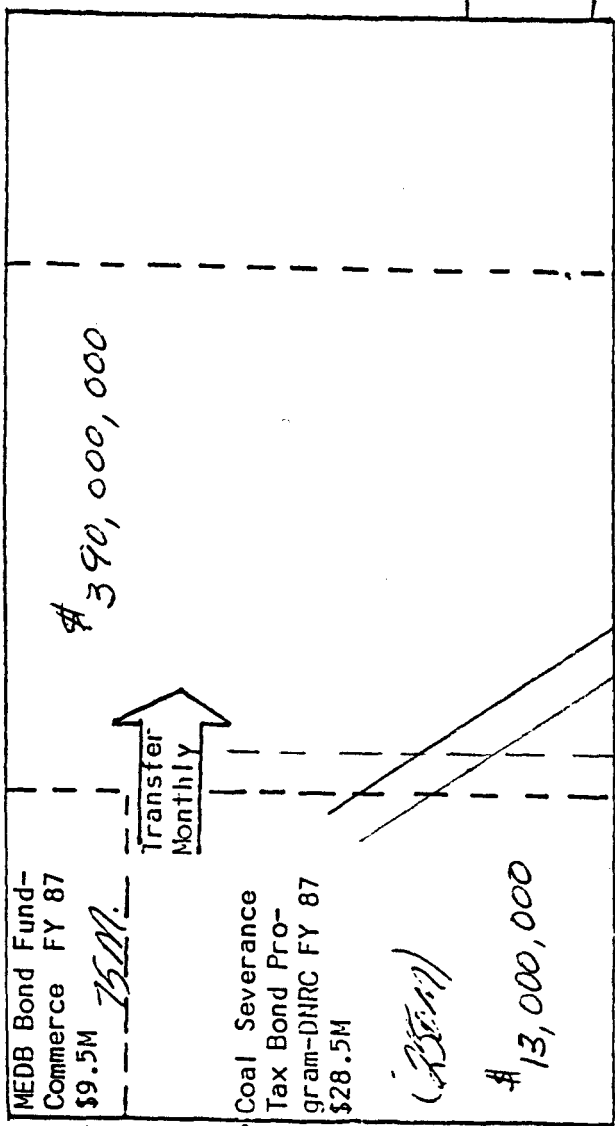
CASH FLOW OF COAL SEVERANCE TAX TRUST FUND

DATE 2/9/89

SB 117

SENATOR Tom Keating

Bond Sub-Funds Permanent Sub-Fund Income Sub-Fund



SENATE TAXATION
 EXHIBIT NO. 4
 DATE 1-14-89
 BILL NO. SB-3

Keating
 SB 117

BB 117
Sen. Tom Keating

triggered a reduction in the coal severance tax rate. The growth in fiscal 1991 is due to a projected increase in demand from mid-western utilities.

The fiscal 1988 average contract sales price of \$8.31 per ton is artificially high because it includes lump-sum payments made in fiscal 1988 on previous years' production. When these lump-sum payments are removed, the average contract sales price for fiscal 1988 production was \$7.27 per ton. Coal prices in fiscal years 1989 through 1991 are projected to increase with inflation. An inflation factor of 0.6 percent is applied for calendar 1989, 1.1 percent for calendar 1990, and 1.4 percent for calendar 1991. These projections are based on the assumption that coal prices "bottomed out" in fiscal 1988 and will climb slowly in fiscal years 1989 through 1991. The reduction in the average contract sales price in fiscal 1990 is explained by shifts in production among coal producers. In fiscal 1990, production by Decker Coal, one of Montana's highest-priced coals, is projected to decline causing the average contract sales price to fall despite the forecasted price increases.

The coal production incentive tax credit was extended by the 1987 legislature to apply to incremental production through June 30, 1991, which is the date when the coal severance tax rate will fall to 15 percent. The production tax credit, which was \$3.8 million in fiscal 1988, rises to \$4.9 million in fiscal 1989, peaks at \$6.0 million in fiscal 1990, and falls to \$4.5 million in fiscal 1991.

Table 6 shows the distribution of the coal severance tax in fiscal years 1990 and 1991.

Table 6
Coal Severance Tax Allocations
Fiscal Years 1990 and 1991

Category	----- Fiscal 1990 -----		----- Fiscal 1991 -----	
	Percent Allocation	Forecasted	Percent Allocation	Forecasted
Constitutional Trust	50.000	<u>\$26,746,111</u>	50.000	<u>\$24,101,041</u>
General Fund	13.680	7,317,736	13.680	6,594,045
Education Trust	7.600	4,065,409	7.600	3,663,358
Local Impact	6.650	3,557,233	6.650	3,205,438
Public School Equalization	3.800	2,032,704	3.800	1,831,679
Parks Acquisition Trust	1.900	1,016,352	1.910	915,840
Alternative Energy	1.710	914,717	1.710	824,256
Renewable Resources	0.475	254,088	0.475	228,960
Water Development	0.475	254,088	0.475	228,960
County Land Planning	0.380	203,270	0.380	183,168
Library Commission	0.380	203,270	0.380	183,168
Conservation Districts	0.190	101,635	0.190	91,584
Highway Reconstruction Trust	12.000	6,419,067	12.000	5,784,250
Montana Growth Through Agriculture	0.760	406,541	0.760	366,336
Total	100.000	<u>\$53,492,221</u>	100.000	<u>\$48,202,083</u>

DATE 2/9/67

BB 117

Sen. Tom Keating

17-6-303. PURPOSE OF THE COAL TAX TRUST FUND.

The people of Montana establish that the intent of the permanent coal tax trust fund, as created by Article IX, section 5 of the Montana constitution, is:

- (1) to compensate future generations for the loss of a valuable and depletable resource and to meet any economic, social and environmental impacts caused by coal development not otherwise provided for by other coal tax sources; and
- (2) to develop a stable, strong, and diversified economy which meets the needs of Montana residents both now and in the future while maintaining and improving a clean and healthful environment as required by Article IX, section 1, of the Montana constitution.

NORTHERN PLAINS RESOURCE COUNCIL

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Main Office
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Billings, MT 59101
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Field Office
Box 886
Glendive, MT 59330
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Bob Dozier 2/9/89
Mr Chairman and members of the committie;

Again the question arises, what purpose does the Coal Tax Trust fund serve? I sometimes feel the coal tax trust fund is seen as a giant piggy bank. But that is not it's sole purpose. let us briefly touch on 4 reasons why the fund was created.

1. The cost of environmental RISK. I must point out that in the area of environmental risk, complete land reclamation is still a scientific uncertainty in our climate.(attach A.) Also there is some risk to human health and vegetation because of air pollution from coal processing. Also the disturbances to water aquifiers and potential changes in rainfall patterns is still the subject of debate. (attach B.) These are real risks that we have no way of assessing final cost of.
2. The social cost to a people and a way of life are impossible to quantify. Substantial reserch documents the dramatic and in many cases, unwanted social changes that will be foisted on the people in our state. To ignore the human costs here would be wrong.
3. The boom and bust cycle costs are the most often ignored. It is estimated the coal development projects will have a 30 to 40 year life. The experience all around the country has been that when the last dragline stops, the economic schock to a region catches it's citizens in a financial squeeze. Part of the cost of a project is the cost of stopping it and what is does to the economics that had to be built to accommodate it in the first place. A difficult cost to predict, but one that cannot be ignored.
4. And last the loss of a non-renewable resource to future generations. future generations will not have the use of coal severence taxes to balance their budgets. The mining of coal is truely a one time harvest. We must maintain the coal tax trust fund. We cannot obligate the next generation to solve the problems without some funding mechanism.

EXHIBIT 4
DATE 2/9/89
BB 117
Sen. Tom Keating

Attach A

A September 29, 1974 issue of the New York Times quotes the reclamation chief for North American Coal Company in a discussion of strip mining in the Northern Great Plains as saying:

"We have the technology to turn the land back to productivity if it is just grazing or pasture. But, if you are talking about crop land, agricultural soil -- and that's maybe 50% of the area we're going to strip -- we just don't know yet if we can do it. The deeper you go after lignite -- 80, 90 or 100 feet -- the more you bring up a lot of very bad stuff; and the rainfall here, it's not anything like we're used to in the east. But, on the other hand, if you go into irrigation with the saline seep problem we've got out here, you could be creating a monster."

If anyone doubts the risks and costs attached to the potential destruction of the land by strip-mining, that quote should raise serious questions.

Attach - 'B'

EXHIBIT 4
DATE 2/9/89
SB 117
Sen. Don Keeton

a Ford Foundation report titled "A Time to Choose," questions are raised about the strip mining of coal and its effect on water. It reports:

"The problems posed by surface mining in the west also affect water supplies in most of the near-surface coal beds in the west. The coal seams trap underground water. Removal of the coal seam would disrupt the aquifer and diminish the region's water supply."

Park's Fly Shop

**GARDINER
MONTANA
59030**

EXHIBIT 5

DATE 2/9/89

BB 117

Sen. Bob Keating

January 19, 1989

Senate Taxation Comm.
Sen. Bob Brown, Chm.
Capitol Station
Helena, MT 59620

Senator Brown

This is a followup to the phone message I left for you on the evening of January 18th. I realize that SB-117 will have been heard by your committee by the time this reaches you but I hope the committee will not yet have acted on the bill and the record will still be open for additional comment.

SB-117 is just the first of what I expect will be a flood of bills all after some version of the same thing - a raid on one or more of the state's trust fund accounts. As public policy this is spectacularly short-sighted and counter productive. I am a small business person and if I ran either my business or my personal finances this way I would have been bankrupt long ago. To cap the Coal Tax Trust Fund would indeed provide a short term infusion of cash to the general fund but would give up the opportunity to stabilize our public finances, particularly with regard to the state's number one obligation - education. At the same time that short term cash flow would allow the legislature to once again duck facing its ultimate job - establishing a balanced budget which fairly funds the necessary public services with an equitable tax structure. If the legislature insists on attempting to divert these funds then it is imperative that the public have the opportunity to correct that action at the polls by a direct vote on the matter as this bill provides. I am, however, a little tired of the legislature trying to duck its responsibility by proposing but refusing to dispose of issues. I ask you and the other members of the Taxation Committee to send this bill to the floor with a "Do not pass" recommendation.

I would also like to take this opportunity to expand a bit on my thoughts about our need for a fair tax structure and what that should entail.

1. In my estimation **every** non-renewable resource extracted from Montana should have a severance tax levied against it (the amount of that tax should be proportional to the value of the resource) and 50% of that tax should be placed in some permanent trust fund whose **income only** was available for appropriation. Over time this would do a lot to free our state from the instability of revenue dependent on raw material prices over which we have no control. As an additional note - under the current policies of the USFS, Plum Creek et. al. timber should also be considered a non-renewable resource along with every mineral from gold through coal to gravel. This becomes the first leg of a stable revenue base.

2. The second leg of a stable revenue base is the income tax. This is of course already in place but should be reviewed for conformance with a few principles. A. There should be no income that is exempt from reporting requirements. B. Both personal and corporate deductions should be based on this gross income to provide a taxable net income. Deductions should be narrowly defined to cover universal costs of survival rather than broadly defined to provide loopholes for this year's special interest. C. The tax rate should retain an element of graduation reflecting the ability to pay but the gradient might be lessened and/or the base rates dropped once we get reporting of all income.

NORTH ENTRANCE TO YELLOWSTONE NATIONAL PARK

3. The third and stabilizing leg of a fair tax structure is also largely in place but often not recognized as such. These are the special sales taxes already levied, mostly for earmarked accounts, such as the motor fuels, bed, tobacco and liquor taxes. Some expansion in these user specific taxes is in order such as a realty transfer tax mostly earmarked to support local planning functions. Note that this is **not** a general sales tax. The main support at the moment for a general sales tax appears to me to be the realization that local government units, particularly schools, can no longer operate with the present property tax base as their major or sole means of support. That too, has a solution.

4. Everyone seems to agree that the property tax needs overhaul. So far what that has meant is that a series of interest groups have gotten special slices taken out of their taxes without sufficient consideration of the effect on overall revenue for the state or local government units. This must stop and indeed be reversed. For example, I am a retail store owner and I still say it is ridiculous that my inventory be totally exempt from taxation. The reason home owners and other particular property tax payers are now on the warpath is that the tax base has been narrowed to such an extent that they are now asked to pay an unfair share of the burden. The solution is not a general sales tax, the solution is to restore universality to the property tax base while lowering the rates. I think the current problem with the court decision on school financing can be in large part laid on the legislature's doorstep because of the failure to fully fund the Foundation Program the last few years. These two measures would go a long ways towards stabilizing local government and school district finances. Local governments should also have more flexibility in establishing user fees and other local option taxes but there should **not** be widespread use of tax exemptions as an incentive program because all that does is use one person's taxes to subsidize another.

This is not to say that there is not a major role to be played by business development programs. It seems to me that the programs most likely to work though are the self-funded ones such as the tie between the bed tax and the state travel promotion program. One should also note that the creation of the trust fund accounts, if properly structured, should give the state a huge capital pool from which to fashion incentive programs centered on state aided financing. No incentive program will work as well as a healthy and fully funded education structure in creating economic growth for Montana. No direct subsidy will be as attractive as a complete and well maintained social infrastructure including transportation, sanitation, water supply and the other elements of a community. No particular exemptions from environmental standards will be as attractive as a clean, healthy environment as a component of the overall quality of life for anyone thinking of development in this state.

Sincerely

Richard C. Parks

- cc.
- Sen. Tom Hager
- Sen. Al Bishop
- Sen. Bruce Crippen
- Sen. Dorothy Eck
- Sen. Delwyn Gage
- Sen. Mike Halligan
- Sen. John Harp
- Sen. Joseph Mazurek
- Sen. Bill Norman
- Sen. Elmer Severson
- Sen. Mike Walker

Herbert C. Meloy
MLWV 442-8112
EXHIBIT 6
DATE 2/9/89
SB 117
Sen. 10 Dec 88 *Bankerting*

LEAGUE OF WOMEN VOTERS OF MONTANA

Joy Bruck, president
1601 Illinois, Helena, Montana 59601

**COAL SEVERANCE TAX and PERMANENT COAL TAX TRUST FUND
POSITION - 1988**

1. The League of Women Voters of Montana supports a coal severance tax rate that provides adequate compensation for current and future impacts and an appropriate level of revenue to the state.
2. The League of Women Voters of Montana supports maintaining a permanent coal tax trust fund.
3. The League of Women Voters of Montana supports dedicating 50% of the coal severance tax revenue to the permanent coal tax trust fund.
4. The League of Women Voters of Montana supports appropriation by the Legislature of interest and income from the permanent coal tax trust fund.
5. The League of Women Voters of Montana supports retaining the super-majority of three-fourths (3/4) of each House of the Legislature in order to invade the principal of the permanent coal tax trust fund.
6. The League of Women Voters of Montana opposes the withdrawal of money from the permanent coal tax trust fund except under catastrophic circumstances.
7. The League of Women Voters of Montana supports investment policies for the permanent coal tax trust fund which include consideration of the state's economic development goals and objectives.
8. The League of Women Voters of Montana does not support the capping of the permanent coal tax trust fund.

Adopted by the LWVMT state board of directors 10 December 88 after study and consensus by the members of the LWVMT.

EXHIBIT 7
DATE 2/9/89
HB 494
Rep. Janet Moore

January 20, 1989

TO: Representative Janet Moore
FROM: Paul E. Verdon, Legislative Researcher
SUBJECT: Legislative history of tax on smokeless tobacco products

Until after the end of World War II, Montana imposed no tax on any tobacco products.

The 1947 Legislature enacted Chapter 287 that levied a tax of two cents per pack of 20 cigarettes with the revenue going to the general fund. The tax did not apply to other tobacco products.

The 1949 Legislature passed a measure called "Initiative No. 54" which was referred to the people and which called for issuance of \$22,000,000 in bonds to fund an honorarium for veterans of World War II. The bonds were to be retired by the proceeds of an additional tax of two cents a pack on cigarettes. The people approved the initiative measure in 1950 and in 1951 the cigarette tax increased to a total of four cents a pack.

The 1957 Legislature enacted Chapter 44 that authorized an honorarium for Korean War veterans and added one cent to the cigarette tax to make a total tax of five cents a pack.

The 1963 Legislature enacted Chapter 270 that authorized an honorarium for World War I veterans to be paid from the cigarette tax proceeds, but the tax was not increased.

The 1967 Legislature enacted Chapter 318 that pledged the revenue from the cigarette tax, in addition to paying the veterans honorarium bonds, to retiring the long range building program bonds, but the measure did not increase the tax.

The 1969 Legislature in its Extraordinary Session enacted Chapter 12 that imposed a tax of 12½% on the wholesale price of all tobacco products other than cigarettes with the proceeds to be deposited in the long range building program fund. That was Montana's first tax on smokeless tobacco, and it has not been increased since.

M5008 c:\data\wp\jmtobtax

DATE 2/9/89
HB 494

February 9, 1989

Rep. Janet Moore

HB-494 SNOOSE BILL

MY SNOOSE BILL DATES BACK TO 1985. AT THAT TIME I WAS ONLY TRYING TO GET EQUALIZATION IN TAXATION WHICH PROVED TO BE A JOKE.

-CIGARETTES WERE 16¢ PER PACK

-SNOOSE WAS 11¢ PER CAN

RESEARCH AT THAT TIME PROVED A CAN OF SNOOSE HAD MORE NICOTINE CONTENT THAN A PACK OF CIGARETTES. AFTER TALKING WITH MY SMOKERS AND SNOOSERS IN THE HOUSE AND OUT OF THE HOUSE, I FOUND ONLY ONE SMOKER WHO COULD GET BY TWO DAYS ON A PACK OF CIGARETTES WHILE MY SNOOSERS, TO A PERSON, COULD GET BY TWO DAYS ON A CAN OF SNOOSE.

THUS MY ARGUMENT IN 1985 AND IN THE SPECIAL SESSION IN 1986 (to clean up a \$100 million deficit) WAS SNOOSERS GET MORE NICOTINE, MORE LASTING ENJOYMENT THAN SMOKERS, YET THEY PAY LESS TAX.

IN 1987, I RE-INTRODUCED MY SNOOSE BILL FOR THE THIRD TIME BUT FELL SERIOUSLY ILL. WHILE RECOVERING FROM MAJOR SURGERY, (MID-SESSION) REP. HARPER TRIED TO CARRY MY BILL BEFORE THIS COMMITTEE DURING MY ABSENCE. THE SNOOSE BILL FAILED FOR ITS THIRD TIME.

TO BACK UP, IN 1985, I LOST THE SNOOSE BILL BY ONLY 1 or 2 VOTES ON THE HOUSE FLOOR.

IN THE 1986 SPECIAL SESSION WHEN I PETITIONED AND OVERRODE THE GOVERNOR'S CALL OF THE LEGISLATURE TO RE-INTRODUCE THE SNOOSE BILL, THE BILL FAILED BECAUSE OF THAT SESSION'S 2/3 VOTE REQUIREMENT. WHEN I ASKED FORMER GOVERNOR SCHWINDEN,

EXHIBIT 8
DATE 2/9/89
HB 494
Rep. Janet Moore

"IF I GET MY LITTLE SNOOSE BILL TO YOUR DESK WILL YOU VETO IT?", HE REPLIED, "MY SON IS A SNOOSER. IF I SIGN YOUR BILL I MAY HAVE TROUBLE IN THE FAMILY."

MR. CHAIRMAN, MEMBERS OF THIS TAXATION COMMITTEE, THE SNOOSE BILL (HB-494) IS BACK "ALIVE AND WELL."

THIS TIME I HAVE NEW BACKGROUND INFORMATION ON THE HISTORY OF TOBACCO TAXATION IN MONTANA. FROM A LEGISLATIVE COUNCIL FACT SHEET THAT I WILL SHARE WITH YOU TODAY, MONTANA NEVER TAXED TOBACCO PRODUCTS UNTIL AFTER WWII. IN 1947 CIGARETTES WERE FIRST TAXED AT 2¢ PER PACK OF 20 CIGARETTES TO SUPPORT AN HONORARIUM FOR WWII VETERANS. THE TAX WAS INCREASED TO 4¢ PER PACK IN 1949.

IN 1957 AN ADDITIONAL CENT WAS ADDED TO SUPPORT AN HONORARIUM FOR KOREAN WAR VETERANS WHICH MADE THE TAX ON CIGARETTES 5¢ PER PACK.

NOT UNTIL 1969, 22 YEARS LATER, DID WE GET AROUND TO TAXING SNOOSE OR CHEWING TOBACCO. THAT'S WHEN SNOOSE BECAME 11¢ PER CAN. SINCE THEN, CIGARETTE TAXES HAVE BEEN INCREASED TO 16¢ PER PACK. SNOOSE OR CHEWING TOBACCO HAS ESCAPED ANY INCREASE SINCE 1969 ... 20 YEARS AGO.

SO HERE I AM AGAIN WITH ONE MORE ATTEMPT TO DEAL WITH THIS INEQUITY AND OUR AWESOME TOBACCO LOBBY.

IT IS A MYTH THAT THE TOBACCO INDUSTRY BUILT THIS CAPITOL BUILDING AS I WAS TOLD IN 1985. THIS CAPITOL WAS BUILT LONG BEFORE 1947 WHEN TOBACCO WAS FIRST TAXED IN MONTANA. TOBACCO TAXES HELPED VETERANS AND THE LONG RANGE BUILDING PROGRAM FUND.

EXHIBIT 8
DATE 2/9/89
HB 494
Rep. Janet Moore

IN CLOSING, I WILL SHARE MY INTRODUCTORY NOTES AND A FACT SHEET PREPARED BY THE LEGISLATIVE COUNCIL.

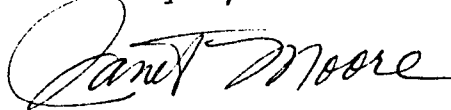
IN HB-494, I SEE A NEW DAY, A NEW LOOK AT THE HISTORY OF TOBACCO IN MONTANA. UNLIKE PAST ATTEMPTS TO PASS MY SNOOSE BILL, I WILL NOT LEAVE OUT CRITICAL HEALTH ISSUES TODAY THAT SURROUND ALL TOBACCO PRODUCTS.

IN MY HOUSE DISTRICT 65, I HAVE 7 ELEMENTARY SCHOOLS AND ONE HIGH SCHOOL. I HAVE BEEN TO THOSE SCHOOLS MORE THAN MOST AND TALKED WITH 7-8th GRADERS AND 11-12th GRADERS BECAUSE THEY ARE AT A TRANSITION PERIOD IN THEIR LIVES MUCH LIKE OURSELVES. IN THE HIGH SCHOOL, I EXPECTED SNOOSERS YET I WAS SHOCKED AT WELL-ESTABLISHED SNOOSERS IN MY ELEMENTARY SCHOOLS.

SNOOSE, THE TOBACCO ADS, TODAY ... IF WE LOOK CLOSELY DOVE-TAIL WITH NATIONAL AND LOCAL SPORTS. SPORTS ARE ALL WELL AND GOOD BUT WHEN SNOOSE BECOMES THE MACHO IMAGE OUR KIDS CRAVE, I FIND MYSELF ASKING, "WHAT PRICE GLORY?"

IF A BUCK IS TO BE GAINED, MR. CHAIRMAN, MEMBERS OF THIS TAXATION COMMITTEE, LET'S PUT IT INTO EDUCATING OUR YOUTH ABOUT THE RISK OF ORAL CANCER IF THEY CHEW TOBACCO.

Thank you,



Rep. Janet Moore

PLEASE GIVE HB-494 A DO PASS.

EXHIBIT 9
DATE 2/9/89
HB 494
Rep. Janet Suore



Montana Dental Hygienists' Association

HB 494

"An act increasing the tax on tobacco products other than cigarettes and allocating the increased revenue to state equilization aid to education."

The Montana Dental Hygienists' Association would like to speak in favor of HB 494. The American Dental Hygienists' Association has adopted policy statements which express concern regarding the health hazards associated with the use of smokeless tobacco. We have supported the labeling of these products in an effort to educate the public to the dangers of using smokeless tobacco. We believe that all tobacco products, due to the fact that they all present certain health risks, should be treated equally. This includes appropriate warning labels, sale of products to minors, and taxation. Whenever tobacco products are not treated in an equal manner, the public will perceive there to be differences in safety between one group and another. Smokeless tobacco is unique in the fact that society has perceived it to be a relatively safe product, as evidenced by the large numbers of young people, particularly those participating in certain sports activities, in whom smokeless tobacco use has been openly accepted. Therefore, we believe there is an even greater need for educating the public regarding the addictive and malignancy potential of smokeless tobacco than for other tobacco products.

By raising the tax on smokeless tobacco to equal that of cigarettes, you would be sending a message to the public that all tobacco product use presents health hazards, and it would also provide money for some urgently needed public education.

Thank you,

Patti Conroy RDH
MDHA Legislative Chair
2525 Silver Spur Trail
Billings, Mt. 59105
252-2336

Mary Lou Abbott RDH
MDHA Legislative Committee
1509 Livingston Ave
Helena, Mt. 59601
443-7831

Exhibit 10

2/9/89

AB 494

EXHIBIT 10

DATE 2/9/89

HE 494

Rep. Janet Snow

you're
dipping
snuff,
you should
know
the truth.





EXHIBIT 11
DATE 2/9/89
HB 494
Rep. Janet Murton

Rosetta Kamlowsky
919 Stuart
Helena 59601

Bill 494
February 9

I'm Rosetta Kamlowsky with the American Cancer Society, addressing House Bill #494 on dipping snuff. The Montana Division of the American Cancer Society Supports this Bill, because it is potentially dangerous and because snuff is popular in Montana. Some people regard it almost as a form of candy. Some parents allow their children to chew tobacco but not smoke cigarettes, and at an alarming young age -- first graders! Smokeless tobacco, or snuff, snoose, or whatever you wish to call it can cause a variety of mouth problems including leukoplakia which in turn could lead to cancer and is just as addicting as cigarettes. Research has show it takes only a few months to develop mouth problems --white, ugly patches or sores where the tobacco is placed. There are numerous documented human and animal studies that show an increase risk of oral cancer. Ask your friends who use it to show the spot in their mouths where they hold the tobacco. Or ask the doctor or dentist about the mouths of dippers or, "dips" as we say, of those who dip snuff.

Certainly some will find this tax steep enough to want to stop chewing. Maybe some child's allowance won't cover the cost of the can of snuff. Maybe some dipper will ask "why me?" and get the right answers.

Give the ~~chewers~~ something to really chew on: "Do I want to pay more money to endanger my health?"



AMERICAN LUNG ASSOCIATION OF MONTANA

Christmas Seal Bldg. — 825 Helena Ave.
Helena, MT 59601 — Ph. 442-6556

EARL W. THOMAS
EXECUTIVE DIRECTOR

EXHIBIT 12
DATE 2/9/89
HB 494
Rep. Janet Moore

HB 494 - REPRESENTATIVE MOORE
TAXATION - ROOM 437

CHAIRMAN DAN HARRINGTON AND MEMBERS OF THE
COMMITTEE - I AM EARL THOMAS, EXECUTIVE DIRECTOR
OF THE AMERICAN LUNG ASSOCIATION OF MONTANA. WE
SUPPORT THE BILL BECAUSE WE FEEL THE INCREASE IN
PRICE WOULD RESULT IN A DECREASE IN CONSUMPTION OF
SMOKELESS TOBACCO AND THEREFORE HELP US TOWARD OUR
GOAL OF A TOBACCO FREE MONTANA BY THE YEAR 2000.

I HAVE DISTRIBUTED FOR YOUR INFORMATION A
BROCHURE "IS THERE A SAFE TOBACCO?". THIS INFORMATION
SUMS UP WHY WE HAVE A GOAL OF A TOBACCO FREE SOCIETY.

PLEASE GIVE THIS LEGISLATION A DO PASS
RECOMMENDATION.

EXHIBIT 14
DATE 2/9/89
HB 494
Rep. Janet Stone

WITNESS STATEMENT

NAME Tom Maddox H B 494

ADDRESS P. O. Box 123, Helena M T 59624

Montana Association of Tobacco and Candy Distributors — Montana family-owned
WHOM DO YOU REPRESENT? independent, small businesses

SUPPORT OPPOSE AMEND

COMMENTS: This statement is on behalf of the association of Montana family-owned, independent small businesses. They oppose any increase in the state tax on tobacco products. The burden of prepaying this tax is imposed by law upon this small group of businesses. These Montana family-owned businesses are important partners with the state, which licenses them as the collectors of this tax. So their continued business strength and health is important to the state. Their thinking and position should be reckoned with when one or even a few legislators propose changing the level of taxes. Montana's licensed collectors of taxes on tobacco sales once totaled more than 50, mostly small businesses. With the first state taxing on tobacco sales, their numbers dwindled as their burdens of rising business costs increased. A very heavy business cost burden is the prepayment of tobacco taxes, both state and federal. As taxes have increases, together with the escalation of government pressures against our people's enjoyment of tobacco products, purchases of tobacco products have declined. The numbers of the state's licensed tax collectors quit the business, one by one, and now there are only 13 businesses serving the state. Of these 4 are multi-state, non-Montana resident ownerships. Twelve Montana businesses have survived.

In Montana the momentum of loss of tobacco sales has declined at a more rapid pace than for other states.

(PLEASE CONTINUE ON PAGE 2)

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

EXHIBIT 11
2/9/89
HB 499
Rep. Kent Mott

A nominal increase in revenue for the state from tobacco products does not mean that tobacco purchases have increased. The small revenue gain reflects the continuing increase in the basic unit costs which keep pace or follow the overall inflationary trend. The tax, being applied as a percentage, increases a little even as sales decline.

Observation of the impact of increasing taxes of sales of many products shows that sales decline. Those who say that a tax increase is always accepted by the consumers are wrong and our Department of Revenue statistics will prove they are wrong. There is further demonstration of how state revenue has gained while sales are declining by applying the factor of the government consumer price index to the purchasing power of the dollar.

There is another important adverse impact on sales and tax revenues. The Montana tax on tobacco products other than cigarettes is not being 100 per cent collected from distributors of other states which deliver such tobacco products to Montana retail outlets. The Montana law states that the tax is payable by every wholesaler who delivers such products in Montana—even to the Indian retail stores.

(As you know the same situation does not prevail for cigarettes sold by the Indians.)

The foregoing claim is made by Montana-licensed tobacco tax collectors, and their complaints are lodged with our state from time to time.

This situation, even when it prevails for only a short period of time, results in an immediate loss both to the state of Montana and to the licensed Montana-resident distributor. Loss of sales of tobacco products immediately results in loss of sales of cigarettes. So the state also loses on business and personal income taxes in such cases. (Continuing on page 3)

EXHIBIT 14

DATE 2/9/89

HB 494

Rep. Janet Stone

Page 3. OPPOSITION TO HB 494 to double the OTP tax to 25%

We ask the legislators to consider the social and income levels of those who purchase pipe tobacco, chewing tobacco, and moist tobacco. For the most part they are in the lower income bracket. We're talking about SALES TAX. There's nothing new about taxing sales to consumers in Montana. Montana's second greatest source of revenue is from taxing sales. For 1988 the state collected \$182.1 million just from taxing consumers' purchases.

A poor person who enjoys pipe or chewing tobacco may pay 3 per cent of income, or 4 per cent, for sales taxes. A rich man on the other hand might spend less than 1 per cent of income on sales taxes. Lee Iacocca may pay much less than 1 per cent. As a matter of fact, he spends nothing at all on tobacco. So taxing purchases is not the fair way. It's regressive.

Mr. Chairman, members of this committee, please favor general, across the board taxes payable by the most people. Please don't single out the small percentage of taxpayers for contributions above and beyond their share for education and general benefits provided to all of us. Please give HB494 a DO NOT PASS recommendation.

EXHIBIT 14

DATE 2/9/89

HB 494

Rep. James Moore

Montana imposed a tax on tobacco products other than cigarettes in 1969. The tax was 12-1/2 per cent of the manufacturer's charge to the wholesaler.

The first revenue recorded was for fiscal year ending June 30, 1970.

Revenues to the state for fiscal years:

		Percentage of total tax from tobacco products:
1970	210,391	3.5 (For Idaho:)
1971	239,133	3.5
1972	229,576	2.3
1973	215,167	2.1
1974	225,589	2.2
1975	248,312	2.3
1976	268,273	2.5
1977	288,045	2.6
1978	331,491	2.9
1979	367,363	3.3
1980	397,827	3.5
1981	464,768	4.1
1982	517,448	4.5
1983	575,694	5.3
1984	659,118	5.0
1985	650,793	4.8 (13.8)
1986	669,932	5.2 (13.2)
1987	720,332	5.7 (10.7)
1988		

In a 10 year trend Montana use increased more than 100%
2.6 for 1977 to 5.7 for 1987

May be correlation to increase in cigarette taxes; a shift.

Among all states, Montana percentage of OTP used versus cigarettes has run relatively low; not unlike that for Utah.

Idaho's percentage runs high.

MONTANA ASSOCIATION OF TOBACCO AND CANDY DISTRIBUTORS

Check
Pass
on to

	Bulletin Board

1 DECEMBER 1972

EXHIBIT 164
DATE 2/19/89
HB 494

Rep. Janet Jarne

INFORMATION BULLETIN

TOM MADDIX
Executive Secretary
Post Office Box 123
Helena, Montana 59601
(Area 406) 442-1582

MONTANA CIGARETTE TAX INSIGNIA

METER ASSIGNMENTS AS OF 12/19/72

Anderson Wholesale	Great Falls	4 1 2 0 0
Anderson Wholesale	Havre	4 3 6 0 4
1 Associated Food Stores	Helena	4 3 5 9 4
B & B Foods	Kalispell	4 3 6 0 0
2 Beaverhead Bar Supply	Dillon	4 0 6 6 9
3 Buttrey Foods Divn., Jewell Tea Inc. (1)	Great Falls	4 0 6 6 4
4 East-Mont Enterprises	Sidney	4 3 6 0 5
Louis Cohn Company	Butte	4 3 5 9 8
Gamble Robinson Company	Billings	2 8 3 4 9
5 Gierke's Distributing Company	Miles City	4 3 5 9 3
6 Glacier Wholesale	Kalispell	4 0 6 6 2
7 Harkins Wholesale	Butte	4 0 6 6 1
8 Hi-Line Wholesale	Wolf Point	4 0 6 6 8
9 Independent Wholesale Grocers (2)	Billings	4 3 5 9 0
Keil Company	Billings	4 1 8 7 4
Lewis Sales Company	Bozeman	4 3 6 0 1
Lewis Sales Company	Livingston	4 1 8 7 2
Majestic Wholesale	Missoula	4 1 8 7 0
10 Pennington's Inc.	Great Falls	4 1 2 0 1
Pennington's	Shelby	4 3 5 9 6
11 Roach & Smith Inc.	Anaconda BUTTE	4 3 5 9 9
12 F. T. Reynolds Company	Glendive	4 0 6 6 5
13 Ryan Grocery Company (1)	Billings	4 3 5 9 2
Ryan Havre Company	Havre	4 0 6 6 6
14 Ryan Mercantile Company 1	Great Falls	4 3 6 0 2
Safeway Stores Inc.	Butte	2 3 5 8 5
Allen N. Schulte	Libby	4 0 6 6 0
15 Service Candy Company	Billings	4 0 6 6 3
Sheehan's of Helena Inc.	Helena	4 3 5 9 5
Sheehan Bros. & Heber Inc.	Missoula	4 0 6 5 9
Two Medicine Company	Cut Bank	4 3 6 0 3
U. R. N. of Spokane Warehouse	Libby	4 1 8 7 3
Western Montana Grocery	Kalispell	4 3 6 0 6
Western Montana Grocery	Missoula	4 0 6 6 7

16 SERVICE Instructions

for easy reference by all
without insignia or
was obtained and under
to MATCD in Helena.

obtain or purchase a
rice, together with
the seller of what
rickest reporting con-
Department of Revenue
investigation jeopard-
for the whole state.

EXHIBIT 14
DATE 2/9/89
HB 494
Rep. [Signature]

SALES
TAX ?

There's nothing new about taxing sales to consumers in Montana. Figures below are from MontTAX.

THE STATE'S SECOND GREATEST SOURCE OF REVENUE is from taxing sales. For fiscal 1988, the state of Montana collected \$182.1 million just from taxing consumers' purchases. 26.8 per cent of all state-collected tax collars are taxes on sales. As classified by the U. S. Census Bureau, Montana levies sales taxes on motor fuels (Montana gasoline tax is among the nation's highest), alcoholic beverages, cigarettes and other tobacco products, all insurance protections, public utilities, et cetera.

Just for FY '88, Montana's receipts from taxing sales increased 22.4 per cent, or increased by \$33.4 million.

Receipts from other sources, for perspective, personal income tax and business income tax—number 1 — \$289.9 (increased in FY '88 by 26.5 per cent or by \$60.7 million); severance taxes \$112.8 million, up \$11.8 million; license taxes \$72.8 million; "other taxes" a total of \$21.2 million.

MonTax reports state-levied taxes reached an alltime high of \$678.8 million for fiscal '88, an increase of 23.6 per cent over the previous year.

The following is from a former state legislator — USA TODAY 1/11/89

ROBERT GILLMORE
Guest columnist

Tax income, not sales — it's fairer

GOFFSTOWN, N.H. — Today's debate is about how we should pick the pockets of the poor.

For the sales tax is just one of many revenue schemes that trashes the principle we all claim to honor: that taxes should be based on our ability to pay them. Taxes, in other words, should be progressive, which means that the percentage of our income that's taxed should rise as our income rises.

Sales taxes, on the other hand, are usually regressive, which means that the percentage of our income that's taxed falls as our income rises.

Because a poor person's income is so small, 3% or 4% of his income might go to sales taxes on necessities. A rich man, on the other hand, might spend less than 1%.

The Social Security payroll tax is similar. Poor and middle-class workers alike lose 7.51% of their income to the FICA

tax. But because income larger than \$48,000 isn't taxed, upper-income people pay less than 7%. The percentage falls as their income rises. Lee Iacocca, for example, probably pays less than 1%.

Taxes on cigarettes, beer, whiskey, and gasoline gouge the poor, too. A millionaire who smokes, drinks and drives his car probably spends less than 1% of his income on excise taxes. If his housekeeper has the same habits, her percentage may be 10 times as high.

These taxes can't be justified because they might persuade people to smoke, drink or drive less. For one thing, the justification is intrinsically unfair: We know it's the poor, not the rich, who'll be forced to give up what they enjoy but (presumably) won't be able to pay for anymore. For another thing, many poor people won't smoke or drink less; they'll just lose an

Robert Gillmore, a syndicated columnist and former state legislator and college lecturer, is author of Liberalism and the Politics of Plunder: The Conscience of a Neo-Liberal.

even larger percentage of their income to "sin" taxes. That means the taxes will do no good, only more harm.

Of course, sales or excise taxes can be made slightly less regressive by exemptions or other gimmicks. But why bother with second-rate taxes when we can have a perfect one — the progressive income tax?

The 19th-century reformer Henry George advocated a "single tax" on land. George had the right idea but the wrong tax. Instead of regressive taxes on real estate, corporations, tobacco, alcohol, gasoline and all the rest, we need a single, steeply progressive, federal, state and local tax on personal income.

EXHIBIT 15
DATE 2/9/89
HB 525

Rep. C. Swysgood

Amendments to House Bill No. 525
First Reading Copy

Requested by Rep. Chuck Swysgood
For the Committee on Taxation

Prepared by Dave Bohyer
February 9, 1989

1. Page 3, line 9.
Following: "or,"
Strike: "if applicable"
Insert: "for talc"

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. SB 117

DATE February 9, 1989

SPONSOR Senator Tom Keating

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>Kenneth L. Bertelsen</i>	<i>Self</i>		✓
<i>Bob Dozier</i>	<i>N. P. R. C.</i>		✓
<i>Richard C. Parks</i>	<i>NPRC</i>		✓
<i>Rock Ringling</i>	<i>MAPIP</i>		✓
<i>Samuel McLaugh</i>	<i>MCWV</i>		✓
<i>ANN PRUNSEK</i>	<i>MAFP</i>		✓
<i>Eric Furr</i>	<i>MEA</i>		✓
<i>Dennis Burr</i>	<i>Montax</i>	✓	
<i>Chris Kaufman</i>	<i>MEIC</i>		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. HB 494

DATE February 9, 1989

SPONSOR Rep. Janet Moore

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
TOM MADDOK	Tobacco & Candy Distributors Manufacturers Association of		X
JOHN R. KILPATRICK			
Chris Herbert	MT. Dental Hygienist Assoc.	X	
GENE PHILLIPS	Smokeless Tobacco Council		X
DONALD MURRAY	SMOKELESS TOB. COUNCIL		X
JEROME ANDRASON	TOBACCO INSTITUTE		X
Lung Group	Office of Public Inst.	X	
Rosette Lamblousky	Am. Cancer Society	X	
Erie Club	MEA		
Earl Honan	American Lung Assn	X	
Beth O'Halloran	MT Federation of Teachers	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 525

DATE February 9, 1989

SPONSOR Rep. Charles Swysgood

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Dennis BURR	MONTAX	✓	
Mike LORANG	CYPRUS	✓	
Tim Watrud	The Montana Talc Co.	✓	
GLENN KEYS	PFIZER INC	✓	
Edward Shearman	Pfizer Inc	✓	
Rich Marby	MDOR		
Mary A Langley	Montana Mining Assn.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.