

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on March 21, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Robert Brown (R)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Fred Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused: None

Staff Present: Jeff Martin (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 460

Presentation and Opening Statement by Sponsor:

Senator Svrcek, District 26, said the bill separates commercial and residential property for the purposes of taxation. He presented proposed amendments (Exhibit #1) which would limit the separation to income producing commercial property. The bill reduces business personal property from 9% to 6%, provides an additional 1% reduction for equipment used in value added manufacturing, and increases the tax on commercial real property in order to make the overall effect of the bill revenue neutral. The amendments specify income producing commercial property, clarify the definition of the value added process, and exempt furniture and fixtures from taxation. Montana is a very competitive state in many areas such as wages, construction

costs, personnel costs, electric and gas costs, and real property taxation. However, the personal property tax rate is a significant disincentive for new businesses looking at Montana as a new location. Oregon is the only other state with business personal property taxes as high as Montana's and neither has a sales tax. The bill is relatively modest. It brings business equipment rates down to a competitive level with other states, it provides for an increased rate on real commercial property which is quite modest and still remains competitive.

Proponents' Testimony:

Madelyn Quinlan, Office of Public Instruction, expressed support for the concept of reducing personal property rates and increasing real property rates.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, said he is sympathetic with the need to reduce personal property rates as those rates are the single largest deterrent to new business locating in the state. He said Montana is second only to Oregon in the United States in the level of personal property taxes. There is a fear in the business community of decoupling commercial and residential property because it will be easier in the future to raise the rate on commercial real property. He said the increase from 3.86% to 5.01% is a 31% increase which moves commercial real estate from 17th to 9th in the nation. He said the effect on local governments of changing the tax base could cause real problems. He said the effect is an overall wash but it is not an improvement.

Forrest Boles, President, Montana Chamber of Commerce, said he appreciates the effort the bill represents, but opposes the decoupling of residential and commercial property.

Questions From Committee Members:

Senator Gage asked if there would be a new fiscal note reflecting the amendment changes.

Senator Svrck said he would request one.

Senator Thayer asked if it is equitable to tax empty building and warehouses at a higher rate.

Ms. Quinlan said only income-producing commercial property is affected and that is defined in the bill.

Closing by Sponsor:

Senator Svrck closed by saying he has never understood why residential and commercial property are tied together. The bill is a starting point for bringing commercial property rates down. He urged the committee to use its expertise to address the problem in the best way.

EXECUTIVE ACTION ON SENATE BILL 435Recommendation and Vote:

Senator Eck moved to Table SB 435.

The motion CARRIED unanimously.

HEARING ON SENATE BILL 465Presentation and Opening Statement by Sponsor:

Senator Waterman, District 22, said the video gaming tax is currently 15%. The bill would leave it at 15% on the first \$1250 or less income per machine on a quarterly basis, the next \$1250 of quarterly net income would be taxed at 20%, above that would be taxed at 25% quarterly. The rate of tax increases as more money is made. She felt the lower producing machines should be taxed at a lower level and the higher volume machines should be paying the most. South Dakota machines are taxed at 25%. She said a lot of games can be played with figures, however a graduated tax makes sense. It is important to look at a machine and what it produces and tax accordingly.

Proponents' Testimony:

There were no proponents.

Opponents' Testimony:

Larry Akey, Gaming Industry Association of Montana, said the bill is a gross proceeds tax as the 15% is paid off the top and then expenses are deducted. He said the profit on the machines

is less than 2% right now. Any additional tax would wipe out whatever profit margin there is. He said the fiscal note is based on the status quo. If the bill is passed the people who are employed in the industry will lose their jobs, and the industry will go down. He said the state share now is greater than the net profits on the machines.

Rep. Pavlovich said 1200 small tavern owners will go out of business as a result of this bill. Taverns have just been hit with an increased federal excise tax on alcohol, beer, wine, and cigarettes. He suggested "taxing toilet paper at one cent a sheet because we all use it".

Alec Hansen, Montana League of Cities and Towns, said this is a difficult position for the League. He said he appreciates the efforts of Senator Waterman to raise more money, but in any business it is important to find the point of diminishing returns. He said the 15% has worked very well for local governments and they are dependent on it. It works better than the gas tax. He reminded the committee of the old saying "if it ain't broke, don't fix it".

John Posten, Montana Coin Machine Operators Association, said the point of diminishing returns has arrived. The returns the last two quarters have been the same and income has leveled off. He said the number of bills in this session to tax gambling businesses and machines is very close to a state takeover. He said the companies across the state pay property tax on their machines and after all the taxes are paid there is 6% left. The owner's salary has to come out of that 6% as well as expenses of the business. A 9.33% across the board increase would leave a profit of -3%.

Paul Caruso, Chairman of the Board, First Security Bank of Helena, presented his testimony in opposition to the bill (Exhibit #2).

Mark Staples, Tavern Owners of Montana, said this is a business that gets to keep approximately 5% to 10% of what they take in. He asked the committee not to raise the taxes any further.

Greg Schumer, Alpine Casino, Billings, presented his testimony in opposition to the bill (Exhibit #3).

Rose Bullock, Silver Saddle Bar, Basin, stated her opposition to the bill. She said the plain truth is they cannot afford to pay any more.

Bill Anders, co-owner of Capital Music Co., said he wishes he had never seen a poker or keno machine. He said the machines, replacement costs, updating costs, and rule and regulation changes have caused a great deal of worry and expense. He, his partner, and employees have not had a raise in five years and his vehicles all have 200,000 miles or more on them. He said he has started four businesses in Helena and been successful with them all. However, this business changes so fast that there is no way to stay current and stay in business. If the taxes go up, it would be the final straw. He said he has had a complete audit in the last thirty days and would be happy to provide any figures the committee would like to see.

Harold Whitner, Flicker's, Missoula, said he has paid the state between \$400,000 and \$500,000 since August. He has also been in Chapter 11 since that time. Having been a successful businessman for 40 years, he never dreamed he would find himself in such a financial position. His program for solvency in five years includes cutting his staff in half, cutting his business back, paying the state \$120,000 - \$150,000 per year and netting about \$50,000. He said any additional tax would truly sound the death knell for him.

Lynn Seelye, President, Great Falls Tavern Association, presented his testimony in opposition to the bill (Exhibit #4).

Jack Snyder, President, Montana Tavern Association, expressed the opposition of his organization to the bill. He asked the committee to give serious consideration to the previous testimony.

Matt Robinson, American Music Company, presented his testimony in opposition to the bill (Exhibit #5). He said net revenues are decreasing for all operations whether they are the large casinos, the medium size tavern, or the small "Mom and Pops". Any increase in taxes would be a real hardship.

Darrell Keock, Glasgow, expressed opposition to the bill.

Ernie Verzeski, Black Eagle, asked the committee to kill the bill.

Wally Trerise, Exchange Supper Club, Helena, said 90% of his machine profit goes for expenses including taxes.

Mike Cetraro, Missoula and Bozeman Village Inns, presented his testimony in opposition to the bill (Exhibit #6).

Questions From Committee Members:

Senator Gage asked Senator Waterman if she had reviewed any operating statements from the gaming machine owners before she drafted the bill.

Senator Waterman replied she had not.

Senator Gage felt the 15% figure might be inappropriate if the operating statements of the owners have not been reviewed .

Senator Waterman said she did not pretend to be an expert, however, she felt a quarterly tax, which only increased when the profit increased, was fair and equitable.

Senator Brown said the net tax is, in reality, a gross tax. He asked how it compares to the South Dakota tax.

Bob Robinson, Gambling Control Division, Department of Justice, replied that South Dakota has two taxes. Deadwood, itself, has an 8% tax on net income plus a permit fee of \$2000 per gambling machine. The tax and the fee over an eight month period on total revenue is actually 25%. The rest of South Dakota has a 25% tax on net machine income. There is a fee of \$100 per machine up to the limit of ten machines. Deadwood is a separate gambling jurisdiction and does not have the 10 machine limit.

Senator Harp asked if the payout is the same as the payback (referring to Exhibit #5).

Mr. Robinson said Montana law requires an 80% payback.

Senator Harp and Doherty asked for graphed information from Mr. Robinson on the payback on each dollar of gambling money expended in Montana.

Senator Waterman said there is information in the gambling report which the legislators received at the beginning of session that would likely answer the concerns of Senators Doherty and Harp.

Senator Towe said there seems to be a conflict between the opponents who say times are bad and higher taxes will cause businesses to close and the figures which show gambling is the largest booming business in the state.


Mr. Akey replied the figures are gross proceeds figures, not net operating figures. He said there is a math error and an error in the whole premise. More machines do not necessarily make more money.


Closing by Sponsor:

Senator Waterman closed by saying many good points have been brought out during the testimony and the question period. She said the industry is made up of many components and it seems the distributors are paying the largest share of the taxes. She said that proves her point that some do well and some do not, therefore the graduated tax system is the fairest way to approach the imposition of the tax. She said the Governor does not want any new taxes and it does not appear that broad based tax reform will happen this session. It will be necessary to fund programs through selective taxes and fees if they are to be funded at all. She said she prefers the graduated tax approach rather than a flat tax increase. It is a fairer and more equitable solution.

ADJOURNMENT

Adjournment At: 10:00 a.m.


SENATOR MIKE HALLIGAN, Chairman


JILL D. ROHYANS, Secretary

MH/jdr

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 5/21/91

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN	X		
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

DATE 3/21/91COMMITTEE ON TAXATION

S.B. 460 and S.B. 465

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
TERRY BELISLE	Gold Nugget Corp	465		X
Gordian E Kiedrowski	Riverboat	465		X
Pius Ohli	Little Bear	465		X
HAROLD BITTNER	Flippers-Missoula	465		X
Kent Furumpton	Cavanaugh's	465		X
SANDRA SKILES	BEST BET Whitefish	465		X
Jack D. Snyder	MTA	465		X
Randy Reger	GIA	465		X
Jack Barnes	Prospector Casino	465		X
Dick Barnes	8 Ball W	465		X
Doug Beanyhoff	Prospector Casino	465		X
Tim Barbour	TJ's 64 Falls	465		X
RAY WARD	JACKSON GREEN MTCY	465		X
Greg Schumler	Alpine + BRANDY'S	465		X
Jack Kellogg	Gold Nugget	465		X
Dennis Mann	Sting	465		X
Dinda Bruno	Wally World	465		X
Jon Iverson	Club Regan	465		X
Jim GRUBBS	MAIN ST. CASINO	465		X
Bob Lincoln	Red Bar/Scoreboard/Flat	465		X
Maurice Hunt	Burgundy Court	465		X
Bob Brown	Silver City	465		X
C. N. WEARE	HARON LIMITED	465		X
Dennis J. Chapman	Town Tavern	465		X
Todd Gilbreath	Gill's Casino	465		X
Matt Robinson	American Music Co.	465		X

(Please leave prepared statement with Secretary)

COMMITTEE ON

DATE

3/21/91

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Don Wheeler	Cold Rush Casino	465		X
Andy Samuel	" " "	465		X
CHRIS WARREN	MONTANA COIN OPERATORS			X
MATT DONNELLY	COMMERCIAL BAR, TOWNSEND	465		X
Sid Smith	SEIF	465		X
Tony LaSalle	Cold Nugget Casino	465		X
DAN COX	Clivia Jumper Casino	465		X
Gordon Morris	MAC	460		
Paul L. Linder	FSRB - Helena	465		X
LARRY AKEY	GAMING INDUSTRY ASSN	465		X
JACK LAMBRECHT	Squire Vending	465		X
El BUCK BOLLS	INT CHAMBER	^{SB} 460	X	-
Greg Schimmel	Alpine Cigars & Brandy's	465		X
William E. Gunders	2470 York Road	465		X
LYNN M. SEELEY	Cascade County Tax. Assn	465		X
MIXY CERRAZO	VILLAGE INN PITTA -	465		X
Doc Edwards	O.C.B.W.	465	X	
Don Williams	DOC & EDDY'S	465		X
STEVE ARNTZEN	SILVERTIP	465		X
Dan McBeale	The People	465		X
Jeffrey E. Williams	DOC & EDDY'S	465		X

(Please leave prepared statement with Secretary)

COMMITTEE ON

DATE

3/1/91

Tavern

SB 465

SB 461

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Phil Hanning	Minneapolis House	465		X
Charles H. Ackerman	TACKERMAN'S TOWN TAVERN	465		X
W. Rossen	Borries	465		X
DAVID A KACK	DIXIE TUN	465		X
Chad Ditz	HARRY'S MUSIC	465		X
Tom Brandt	No Star Coin	465		X
Marian Moe	Hangout Bar	465		X
Glenn Hlaesche	Waller's	465		X
Joyce Sporkheim	Spoons Saloon	465		X
Barbara Foster	The Red Door Lounge	465		X
David E. Liard	Banjo Club 109	465		X
Ch. Kuhn	Bridges Bar Siding Mt.	465		X
Jeff Anderson	Sunrise Vending Montford	465		X
Sheldon Nielsen	Cassidy Bar	465		X
Gerry Jensen	8 Ball Inn	465		X
Chad Trower	Banzai's Ponderosa	465		X
Gus Lee Bulluck	Selaesaddle Bar	465		X
Hester Bulluck	" " "	"		X
Gordon Dellwo	Buck Horn Bar	465		X
Steve Tarolta	Gingers Bar	465		X
Don Bennett	VLC Inc	465		X
John P. Poston	Mt. Coin Machine Co. Inc	465		X
Lynn Miller	Miller Cave	465		X
Barbara Morris	Jorgensen's Restaurant	465		X
Billie Loesch	MTA	465		X
Steve Wilken	MTA. Steel IN	465		X

(Please leave prepared statement with Secretary)

DATE

3/21/91

COMMITTEE ON

Talent

SB 465

SB 460

VISITORS' REGISTER

NAME

REPRESENTING

BILL #

Check One

Support

Oppose

KEVIN E. ALSON

SMITH'S PLACE

465

✓

Ben E. Ives

Industrial Transer

465

X

PHIL BENSON

MT Music Big Sky Area Century Ave

465

X

(Please leave prepared statement with Secretary)

Amendments to Senate Bill No. 460
First Reading Copy

Requested by Senator Svrcek
For the Committee on Taxation

Prepared by Jeff Martin
March 20, 1991

1. Title, line 8.

Following: "RATE;"

Insert: "EXEMPTING FURNITURE, FIXTURES, AND EQUIPMENT USED IN
COMMERCIAL ESTABLISHMENTS FROM PROPERTY TAXATION;"

Following: "FOR"

Insert: "INCOME PRODUCING"

2. Title, line 9.

Following: "FOR"

Insert: "INCOME PRODUCING"

3. Title, line 11.

Following: "15-6-138,"

Insert: "15-6-201,"

4. Page 1, line 18.

Strike: "a"

Insert: "an income producing"

5. Page 1, line 20.

Strike: "a"

Insert: "an income producing"

6. Page 5, lines 1 through 3.

Strike: subsection (h) in its entirety

Re-number: subsequent subsections

7. Page 5, lines 20 through 22.

Strike: subsection (3) in its entirety

Re-number: subsequent subsections

8. Page 6, lines 5 and 6.

Strike: ", such" on line 5 through "products" on line 6

9. Page 6, line 9 and 10.

Strike: "that" on line 9 through "manufacturing" on line 10

10. Page 9, line 24.

Following: "for"

Insert: "income producing"

11. Page 10, line 1.

Following: "for"

Insert: "income producing"

12. Page 10.

Following: line 5

Insert: " Section 7. Section 15-6-201, MCA, is amended to read:

"15-6-201. Exempt categories. (1) The following categories of property are exempt from taxation:

(a) the property of:

(i) the United States, the state, counties, cities, towns, school districts, except, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, the property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

(ii) irrigation districts organized under the laws of Montana and not operating for profit;

(iii) municipal corporations; and

(iv) public libraries;

(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that meets the following conditions:

(i) is owned and held by any association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) is not maintained and operated for private or corporate profit;

(e) institutions of purely public charity;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public art galleries and public observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit;

(p) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery with a market value of less than \$100;

(q) property owned by a nonprofit corporation organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) provided the tools are owned by the taxpayer, the first \$15,000 or less of market value of tools that are customarily hand-held and that are used to:

(i) construct, repair, and maintain improvements to real property; or

(ii) repair and maintain machinery, equipment, appliances, or other personal property;

(s) harness, saddlery, and other tack equipment; and

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105; and

(u) furniture, fixtures, and equipment, except that specifically subject to taxation, used in commercial establishments as defined in this section.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit.

(b) The terms "public art galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.

(c) The term "commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following

installation of the property:

(a) \$20,000 in the case of a single-family residential dwelling;

(b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.""

Renumber: subsequent sections

Carroll
#2

I feel very fortunate and excited to be here. I'm here because we have a problem, and I want to thank you for taking time to listen.

I opened the Alpine Casino on December 17, 1986. At that time we had no machine tax. I bought 40 machines. I put over $\frac{1}{2}$ million dollars into a place that sat empty for years. I also, and still employ 45 employees. I work very closely with my employees. These aren't ordinary employees. Each of my employees have set goals, work hard, and have fun. Four years ago I shared with them that one day you have the opportunity to move up to a manager, or maybe even owner. They saw success, and so did I. Some of these employees are managers and own cars, have nice apartments, or own a home.

In less than a year you cut my machines to 20, and exercised a 15% tax on the machines. With all my debt still due, I could not get out.

Every 2 years you've made me redo my machines to keep up to State Standards. As a result my debt keeps going up.

According to your revenue figures it was stated in our local paper, "Billings" that Casino Owners can pay off a machine in less than 2 months. If that were true I wouldn't be standing here today. You people are being misled.

Besides a 15% tax:

- Worker's Comp is up
- Minimum wage has gone up twice
- Food is up
- Utilities are up

I can't pass any of these increases on because you keep regulating our business. In 1990 I sent you people 102,396 and paid no taxes for that year, except social security. This means you made money, and I didn't. I did all the work, 7 days a week. I'm still doing it.

I'm young, frustrated, hard working, honest, and love people. I moved my wife, and three girls, to Billings looking for a future.

I can't set any goals right now. I couldn't send my girls to college right now. My employees can't set any goals. My employees and I sent 321 letters asking you to leave our tax alone. I stated before minimum wage has gone up twice. I can't increase the other employees wages because of what you are doing. If you pass Senate Bill 465, or any other bill taxing the Gaming business there will be over 1,000 people without jobs in Yellowstone County alone.

STATEMENT SECTION
EXHIBIT NO. 4
DATE 3/21/91
BILL NO. SB 465

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of MARCH, 1991.

Name: LYNN M. SEELYE

Address: PO Box 3065

Great Falls, Montana 57403

Telephone Number: (406) 722-5811

Representing whom?

PRESIDENT CASCADE County TAxERn Assn.

Appearing on which proposal?

S.B 465

Do you: Support? ☐ Amend? ☐ Oppose? ☒

Comments:

OPPOSE BILL WHICH ATTEMPTS TO INCREASE
GAMING TAX ON VIDEO GAMING MACHINES
FROM 15% TO 25%. WHILE STATUTE STATES
TAX IS ON "NET MACHINE INCOME" TAX IS
IN FACT ON GROSS REVENUES BEFORE DEDUCTING
OPERATING EXPENSES NORMAL TO ANY BUSINESS
WITH DECREASED REVENUES BY OPERATOR
THE SHARE GOING TO THE STATE FAR
EXCEED ANY PROFIT REALIZED BY THE
OWNER/OPERATOR

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE TOWN
ELECT NO. 5
DATE 3/21/91
BILL NO. 5B 465

R & R Casino
s/n 1049
1QFY89

gross revenue:	\$ 16,867.25
payouts:	<u>8,164.50</u>
net revenue:	8,702.75
tax (15%):	<u>1,305.41</u>
Net Profit:	7,397.34

The tavern owner received approximately 44% of the gross revenue.

R & R Casino
s/n 1049
1QFY90

gross revenue:	\$ 18,876.00
payouts:	<u>13,104.50</u>
net revenue:	5,771.50
tax (15%):	<u>866.00</u>
Net Profit:	4,905.50

The tavern owner received approximately 26% of the gross revenue.

Elks Lodge
s/n 1040
1QFY88

gross revenue:	\$ 567.00
payouts:	<u>395.75</u>
net revenue:	171.25
tax (15%):	<u>25.69</u>
Net Profit:	145.56

The tavern owner received approximately 26% of the gross revenue.

Elks Lodge
s/n 1040
1QFY89

gross revenue:	\$ 5,987.00
payouts:	<u>3,235.75</u>
net revenue:	2,751.25
tax (15%):	<u>412.69</u>
Net Profit:	2,338.56

The tavern owner received approximately 39% of the gross revenue.

54 45
Dover's Lounge
s/n 1025
2QFY89

gross revenue:	\$ 9,633.50
payouts:	<u>5,846.25</u>
net revenue:	3,787.25
tax (15%):	<u>568.09</u>
Net Profit:	3,219.16

The tavern owner received approximately 33% of the gross revenue.

Dover's Lounge
s/n 1025
2QFY90

gross revenue:	\$ 2,206.50
payouts:	<u>1,499.25</u>
net revenue:	707.25
tax (15%):	<u>106.00</u>
Net Profit:	601.25

The tavern owner received approximately 27% of the gross revenue.

WITNESS STATEMENT

6
3/31/91
BILL NO. 55/465

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of MARCH, 1991.

Name: MICHAEL P. CETRARO

Address: 1830 PROSPECT - HELYNA, MONT. 59601

Telephone Number: 443-11-11 - 443-1890

Representing whom?

VILLAGE INN PIZZA PARLOR

Appearing on which proposal?

465

Do you: Support?

Amend?

Oppose? X

Comments:

ATTACHED -

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

6
DATE 3/31/91
BILL NO. SB 465

MARCH 20, 1991
SB 465 /MIGNON WATERMAN

DEAR SENATORS OF THE COMMITTEE:

MY NAME IS MICHAEL P. CETRARO. I OWN AND HAVE OWNED THE VILLAGE INN PIZZA PARLORS IN BOZEMAN SINCE 1965, HELENA 1971 AND MISSOULA 1972. WITHOUT GOING INTO THE COST OF PROPERTY TAXES, FICA, LICENSING, LOCAL OPTION TAXES ON VARIOUS ITEMS, MINIMUM WAGE AND NOW AN ADDITIONAL MACHINE TAX, WHICH ONE OF YOU WANT TO LABEL THE LENIN OF MONTANA? I ALSO HAVE A FEW PERSONAL ITEMS THAT DON'T COST MUCH BUT IF YOU WANT TO REVIEW THEM, WHICH I'M SURE YOU'RE HEADED IN THAT DIRECTION, FEEL FREE TO CONTACT ME. THAT'S WHAT THEY ENDED UP DOING IN RUSSIA. I HAVE PUT IN MY SHARE OF 80+ HOUR WEEKS OVER THE YEARS AND HAVE LOST A LOT OF MONEY BECAUSE OF THE FREQUENT GOVERNMENT INTERVENTION INTO MY ENERGIES. IF ANY ONE OF YOU WANT TO BECOME ENGAGED IN THE EASY DOLLAR YOU PERCEIVE I MAKE, YOU CAN MAKE AN APPOINTMENT AND BECOME AN INVESTOR IN MY LIVELIHOOD. WE AS BUSINESS PEOPLE, WHO HAVE CHOSEN THIS FORM OF MAKING A LIVING, ARE BECOMING MORE AND MORE LIKE THE PEOPLE OF COMMUNIST COUNTRIES, WHERE ALL WE DO IS ADMINISTRATE OUR BUSINESSES FOR YOU. IT'S NOT EVEN OURS. BECAUSE OF OUR VISIBILITY AND ENERGY YOU TAKE CHEAP SHOTS AT OUR BUSINESSES. WHY NOT THE FARMER WHO HAS EVERY EXEMPTION AVAILABLE. OR ENERGY PRODUCERS ECT. WHAT'S NEXT? THESE ARE REALLY SOME CHEAP SHOTS THROUGH LACK OF MATURE PREPARATION ON YOUR PART!

DO YOU THINK THE MONEY WE MAKE ON THE MACHINES IS ALL FREE GRATIS WITH NO APPLICATION? WHY CAN'T I FLY TO SAN FRANCISCO ON DELTA IF ALL OF THEIR SEATS HAVE NOT SOLD. THEY ARE GOING THERE ANYWAY. WHY DOESN'T MONTANA POWER GIVE ME THEIR EXCESS POWER THAT THEY ARE PRODUCING? THE WATER IS GOING OVER THE DAM ANYWAY.

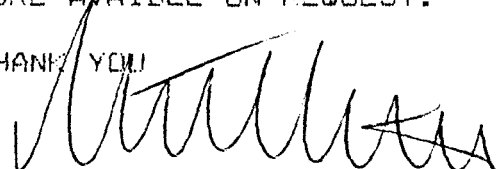
DO YOU WANT THESE MACHINES IN THE STREETS? IT TAKES MORE THAN JUST BUYING A MACHINE AND LETTING IT MAKE MONEY. WHAT ABOUT THE LAND COSTS OF \$6.00 TO \$10.00 A SQUARE FOOT. BUILDING COSTS OF \$60 TO \$100 PER SQUARE FOOT. EQUIPMENT, STAFFING, SCHEDULING, BORROWING MONEY AND PUTTING YOUR NAME ON THE GUARANTEE. DO YOU WANT PART OF THIS FINE RESPONSIBILITY? COME AFTER IT AND JOIN UP IN THE FUN!

WHY DON'T YOU LOOK AT ONE OF THE MOST OVER ADMINISTRATED STATES IN THE UNION HA! MONTANA! HOW COULD THAT BE? IT MUST BE BECAUSE OF YOU REPRESENTATIVES OF THE PEOPLE WHO REFUSE TO LOOK AT THE REAL PROBLEM. TOO MUCH GOVERNMENT AND NO ONE DARING ENOUGH TO PURSUE CORRECTING IT.

I AM AVAILABLE AT 443-11-11 IN HELENA MOST OF THE TIME AT VILLAGE INN PIZZA PARLOR, 1830 PROSPECT. CALL OR COME IN FOR A VISIT.

MORE AVAILBLE ON REQUEST.

THANK YOU


MICHAEL P. CETRARO

Western Bank

March 19, 1991

To Whom it May Concern:

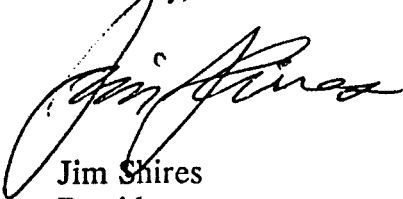
Gregory and Melvin Schumer dba Starward Investments and Brandy's Shoreliner Restaurant, Inc., have been doing business here at Western Bank of Billings since 1988 as Brandy's Shoreliner Restaurant, Inc., and since 1986 as Starward Investments.

Greg and Mel Schumer have been good customers of the bank and have met their obligations. However, their debt has not decreased much due to continuing gaming machine replacements and up-grades, mainly to comply with legislative changes in the industry.

I know that their cash flow has been tight due to their continuing amount of debt to service from the businesses. Any significant change to their income is going to impact their ability to service their current debt load. I believe the proposed changes to the gaming machine tax from 15% to 20%, and in some cases to 25%, will significantly affect their cash flow and may create an inability for the business to service their debt.

I hope this information is helpful. It is honest and I believe it is accurate.

Sincerely,



Jim Shires
President

JS/cks

COLBERG, FASCHING,
MRACHEK & COMPANY, P.C.
Certified Public Accountants

3021 6th Avenue North

Billings, Montana 59101-1183

Phone (406) 252-6301

FAX (406) 252-3096

March 20, 1991

Randy Reger
P.O. Box 1782
Billings, Montana 59103

Dear Randy:

I am writing to express my concern on the proposed legislation that would increase the tax on revenues from gaming. These remarks do not address increased gaming tax as the result of a general tax increase, but do address any additional taxes levied exclusively on the gaming industry.

As you are aware, our firm prepares financial statements and tax returns for several businesses and individuals involved in the gaming industry. As you would expect, some of these businesses do very well, some generate an average profit, and several lose money. It has been my experience that the ability or inability to make a profit in the gaming industry is no different than the ability to be profitable in many of the other industries operating in the state of Montana.

It is my concern that the Lawmakers of the state are focusing their attention on the few gaming businesses that are making large profits and are then using these operating results to project profits for the industry as a whole. I believe this line of reasoning is totally inaccurate and could be financially devastating to the industry and in turn have a great impact on the economy of Montana.

We all know that the majority of the businesses involved in gaming are not the "casino's" found in our larger cities and towns, but are the hundreds of small taverns scattered throughout the state. These businesses rely on the commissions from poker and keno machines to keep their doors open. Any increase in the gaming tax could potentially force them out of business. In addition, the income generated by the "casino's" employ thousands of Montanans. Given the state's current economic condition, it is probable that an increase in the gaming tax would put many of these employees on the unemployment rolls creating yet another burden.

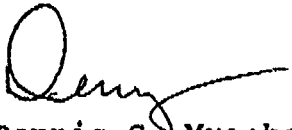
It is also my concern that some Lawmakers will view a vote for a gaming tax increase as a vote against gambling. As Montanans, we

Randy Reger
March 20, 1991
Page 2

must meet all issues head-on. Adjusting the gaming tax is no way for anyone to soothe their conscience on the gambling issue. Taxes are for the purpose of generating revenue, so let's keep it that way.

In conclusion, I feel the gaming industry is paying more than their fair share with the 15% tax and the income tax. If the state's budget needs balancing, let's look at both the expense and revenue sides of the budget and enact legislation that is fair to all Montanans.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dennis", with a long, sweeping horizontal line extending to the right.

Dennis G. Mrachek
Certified Public Accountant

DGM/se

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of MARCH, 1991.

Name: MATT DONNELLY

Address: P.O. BOX 665

TOWNSEND, MT 59644

Telephone Number: 266-5581

Representing whom?

COMMERCIAL BAR, TOWNSEND

Appearing on which proposal?

S 465

Do you: Support?

Amend?

Oppose? X

Comments:

WE HAVE TWO SOURCES OF REVENUE: POWER
MACHINES AND LIQUOR SALES. AFTER RAISING
THE PRICE OF LIQUOR ON JAN. 1 DUE TO
A LARGE INCREASE IN F.L.D. LICENSES,
WE FEEL WE CAN NOT RAISE THE PRICE
OF DRINKS ANY MORE. WE ARE PROHIBITED
BY LAW TO INCREASE REVENUE ON POWER
MACHINES. S 465 WILL NOT PAY
POWER PLAYERS BECAUSE WE CAN NOT PASS
ON THE TAX INCREASE TO OUR COMMUNITY.
S 465 IS AN INEQUITY FOR THE BUSINESS
OWNERS BECAUSE THAT IS WHERE ALL THE
MONEY WILL HAVE TO COME FROM.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of MARCH, 1991.

Name: DEWIS J. MORRIS

Address: 716 46th St

GREAT Falls MOUNTAIN

Telephone Number: 707-7972

Representing whom?

Strong Family Rest.

Appearing on which proposal?

S.B

Do you: Support? ☐ Amend? ☐ Oppose? ☒

Comments:

TAVERN Already PAY MORE
than there share. 15% OF GROSS NET
IS Really 34 OR 35% BECAUSE OF THE
NON-Deductible Cost of doing BUSINESS
CANNOT BE USED. Cost of MACHINES,
Cost of updating, Cost of bad debts, Cost
of Coupons, Cost of CASHIER AT PAN etc
And INCREASE to 25% will
mean d Actually RATE of CLOSE to 40%
of ~~REVENUE~~ ~~REVENUE~~ REVENUE. Could
you do business with these kinds of
Cost.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 31st day of MARCH, 1991.

Name: W. E. TREERISE

Address: 224 12th
Helena, MT, 59601

Telephone Number: 442 7542

Representing whom?

The EXCHANGE SUPPER CLUB

Appearing on which proposal?

SB 465

Do you: Support? _____ Amend? _____ Oppose? X

Comments:

We can not afford additional taxes or expenses.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of March, 1991.

Name: Tim Barbour TJ's Lounge

Address: 716-50th St So.

Gr Falls, MT.

Telephone Number: 727-2344 - 727-1800

Representing whom?

TJ's Lounge

Appearing on which proposal?

SB 465

Do you: Support? Amend? Oppose? X

Comments:

15% of the gross income is
already too High - we as A industry
employ 55 to 60 Thousand people -
1% increase will result in at
least 1% decrease in employment.
~~The principle of~~ The principle of diminishing
returns applies here -
A healthy industry is good for Montana -
If you tax us out of the black into the
red we will be added to the long list of
bankrupt industries in Montana -

Please help us - NO MORE VOTES!

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

Thank you - Tim Barbour

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of March, 1991.

Name: Jow Tolson

Address: 2920 5B Street N.E.

Telephone Number: 727-8011

Representing whom?

TAVERN INDUSTRY - CASCADE CO. TAVERN ASSOC.

Appearing on which proposal?

S.B. 465

Do you: Support? Amend? Oppose? X

Comments:

The taxes paid by the tavern industry
at the present time are extremely high.
No additional tax or tax increase should
be directed at this industry. The industry
pays more than its fair share at the
present time.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of March, 1991.

Name: Linda Brune 465

Address: 1500 6th Av. NW

Great Falls, Mont 59404

Telephone Number: (406) 453-3820

Representing whom?

Wallis World

Appearing on which proposal?

465

Do you: Support? Amend? Oppose? ✓

Comments:

I am a owner/operator of a
small Bar in Black Eagle (seats 50)
with the taxes, insurance, lencene.
and other normal operating cost (lights,
gas, phone, employees, payment on bar)
I made \$6,200.- last year for my self.
This is after working 40 hours a
week plus my husband putting in
10-12 a week along with his 30 hrs a
week at his job (he is shop foreman
at a machine shop) with out his job
there would be no way to feed etc.
our family of 4 children. what will

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

happen to these small family bars
if an other taxes is put on our all
ready 15%.

I know that it would force me
out of bussiness, and what happens
to all my savings, work etc. that I
put in to this small bussiness to
pass on to my children?

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of March, 1991.

Name: William E. Sanders

Address: 2470 York Road
Helena, Montana 59601

Telephone Number: 442-2512 442-7088

Representing whom?

Representing whom?
Postal Music Inc

Appearing on which proposal?

S.B. 465

Do you: Support? No Amend? No Oppose? Yes

Comments:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of March, 1991.

Name: Rose Lee Bullock

Address: P.O. Box 74

Bpsin

Telephone Number: 225 9995

Representing whom?

Appearing on which proposal?

Do you: Support? _____ Amend? _____ Oppose? X

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 21 day of March, 1991.

Name: Greg Schvimer

Address: 3804 Mesa

Billings MT 59102

Telephone Number: 656 2282

Representing whom?

Representing whom?
Alpine Casino + Brandy's Rest.

Appearing on which proposal?

Against 465

Do you: Support? _____ Amend? _____ Oppose? X

Comments:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY