

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By Chairman J. D. Lynch, on April 22, 1991, at 10:43 p.m., and the secretary noted the roll.

ROLL CALL

Members Present:

J.D. Lynch, Chairman (D)
John Jr. Kennedy, Vice Chairman (D)
Betty Bruski (D)
Eve Franklin (D)
Jerry Noble (R)
Gene Thayer (R)
Bob Williams (D)

Members Excused: Delwyn Gage (R)
Thomas Hager (R)

Staff Present: Bart Campbell (Legislative Council), was not present.

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

Announcements/Discussion:

HEARING ON HB-1013

Presentation and Opening Statement by Sponsor: Representative Tim Whalen, District 93, said HB-1013 arose from a visit a week ago to Montana Distillers. Bob and Marilyn Lemm own the distillery, and they were kind enough to have a reception for the Legislature. During the tour of the facilities the conversation centered on the business aspect of running a distillery in Montana. He learned that recently, the Department of Revenue changed the state warehousing rules for the purpose of saving money. The Department of Revenue went to a bailment status. The state liquor warehouse is allowed to warehouse liquor from different distillers without having to pay for it until the state sells it to the retailer. The different businesses that ship products in Montana had to put their liquor in the state warehouse in bailment status, and then these businesses did not get paid until the product was shipped to state stores or an agency store. Some times the product could sit there for a substantial period of time, but distillers, especially small

distillers, are required to pay a federal excise tax up front which is 2/3 of the cost of the final delivered products to the state warehouse. Two weeks ago, Montana Distillers sent \$200,000 worth of product to the state warehouse, and the business did not get paid for it, but Montana Distillers had to pay the federal excise tax with a check for \$120,000. In the meantime, Montana Distillers' capital is tied up with inventory that is in the state warehouse. All HB-1013 does is to assist the small distillers and wineries by holding them harmless of the Department of Revenue rule. Gary Bluett, Liquor Division, Department of Revenue, was an invaluable assistant in helping draft this bill. The Liquor Division has no objection to the bill, and the original drafting would have exempted all in state distilleries and wineries, but there was concern about equal protection problems with that kind of approach. Montana Distillers probably has the capacity to produce up to 500,000 fluid gallons per year, but Bob Lemm indicated that the distillery has not reached that capacity. In years to come this level can be readjusted if distillers are bumping up against the 200,000 fluid limit, so the distiller could still benefit and not tie up capital when product is shipped to the state warehouse. He asked the committee to concur in HB-1013.

Proponents' Testimony: none

Opponents' Testimony: none

Questions From Committee Members:

Senator Noble said he carried a tobacco bill for the tobacco wholesalers that did exactly the same thing for tobacco. He wanted Representative Whalen to know that the House stripped the whole section of not paying the State Tobacco tax until the product left the warehouse. So the entire intent of the bill was changed.

Senator Thayer asked Representative Whalen how the 100,000 for wineries? Representative Whalen said this is taken from 16-14-401 which is the section that deals with special rate reduction on the state excise tax. The 100,000 is for wineries, and the distilleries is 200,000. Gary Bluett, Liquor Division, indicated that Section 7 of HB-1013 will apply to Mission Mountain Winery, which is Montana's only winery. The 200,000 would apply to Montana Distillers and Montana Silver and Gold. Senator Thayer asked how the Department of Revenue stood on this bill? Representative Whalen said the Department of Revenue is supporting this. Gary Bluett represented the department during the hearing in the House.

Closing by Sponsor: Representative Whalen had no further closing remarks.

EXECUTIVE ACTION ON HB-1013

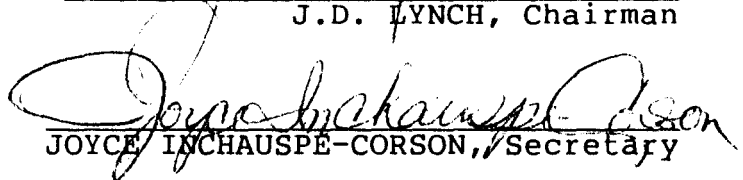
Motion: Senator Noble moved to Concur in HB-1013. The motion passed unanimously. Senator Lynch said Senator Mazurek has agreed to carry HB-1013.

ADJOURNMENT

Adjournment At: 11:50 a.m.



J.D. LYNCH, Chairman



JOYCE INCHAUSPE-CORSON, Secretary

JL/jic

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS & INDUSTRY

Date APRIL 22, 1991

Bill No. HB-1013

Time 10:46

NAME	YES	NO
Senator Bruski	X	
Senator Franklin		
Senator Gage		
Senator Hager	X	
Senator Kennedy	X	
Senator Noble	X	
Senator Thayer	X	
Senator Williams	X	
Senator Lynch	X	

Joyce Inchauspe-Corson
Secretary

J.D. Lynch
Chairman

Motion: move to Concure HB-1013

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

DATE APRIL 22, 1991

52 LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BRUSKI	X		
SENATOR FRANKLIN	X		
SENATOR GAGE			X
SENATOR HAGER			X
SENATOR KENNEDY	X		
SENATOR LYNCH	X		
SENATOR NOBLE	X		
SENATOR THAYER	X		
SENATOR WILLIAMS	X		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

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April 22, 1991

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration House Bill No. 1013 (third reading copy blue), respectfully report that House Bill No. 1013 be concurred in.

Signed: _____
John "J.D." Lynch, Chairman

4-22-91
And. Coord.

Sec. of Senate

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