

**MINUTES**

**MONTANA SENATE  
54th LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN GERRY DEVLIN**, on March 7, 1995, at  
8:00 a.m.

**ROLL CALL**

**Members Present:**

Sen. Gerry Devlin, Chairman (R)  
Sen. Mike Foster, Vice Chairman (R)  
Sen. Mack Cole (R)  
Sen. Delwyn Gage (R)  
Sen. Lorents Grosfield (R)  
Sen. John G. Harp (R)  
Sen. Dorothy Eck (D)  
Sen. Barry "Spook" Stang (D)  
Sen. Fred R. Van Valkenburg (D)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Jeff Martin, Legislative Council  
Renée Podell, Committee Secretary

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

**Committee Business Summary:**

Hearing: SB 407, SB 404  
Executive Action: SB 404

**HEARING ON SB 407**

**Opening Statement by Sponsor:**

**SEN. CHUCK SWYSGOOD**, SD 17, Dillon, explained SB 407 establishes value for industrial garnets. He stated this bill is fashioned after the 1989 talc bill. **SEN. SWYSGOOD** commented the result of the 1989 bill was the \$7 million expansion of the talc mine in Dillon, and the mine is currently underway with another major expansion. He said the garnet industry is a new venture that is scheduled to start mining this summer. **SEN. SWYSGOOD**

acknowledged he didn't sign the fiscal note because there were a few things on the note he wasn't completely satisfied with. He remarked **Don Hoffman** from the Department of Revenue was in attendance and can clarify some of his concerns regarding the \$20.00 a ton figure. He asked the committee to make a change in the technical note in regard to inserting the language "production year" instead of "taxable year".

**Proponents' Testimony:**

**Dennis Burr, Montana Taxpayers Association**, commented he has been involved in several bills changing net proceeds on minor minerals that are mined in Montana. He stated the changes are beneficial both to local governments and to the industry. He acknowledged the changes allow the industry to plan for the future.

**Hugh Moore, Assistant Manager, Cominco American**, stated this particular program is as much a reclamation program from the permitting standpoint as it is anything else. He said this project costs close to \$8 million to get setup. He stated it has the potential of bringing in major dollars in net proceeds tax base.

**Martin Dippold, Cominco American**, concurred with the proponents. He stated this will spawn small minor operations where the concentrates will be purchased from small units in the area.

**SEN. TOM BECK, SD 28**, acknowledged he supports this legislation to keep jobs in this particular area.

**Opponents' Testimony:**

None

**Informational Testimony:**

None

**Questions From Committee Members and Responses:**

**SEN. DELWYN GAGE** asked **Mr. Hoffman** if the committee would be wise to put a minimum tonnage in the bill. **Mr. Hoffman** stated that would be a good idea.

**SEN. GAGE** asked **Mr. Moore** if he had an idea of a minimum to put into the bill. **Mr. Moore** stated for his purposes he will be in the plus 10,000 range of production and 500 tons will be a smaller operation than most.

**SEN. DOROTHY ECK** questioned **Mr. Moore** in regard to what happened with gem quality garnets. **Mr. Moore** said one intent of this particular bill is to cover the garnets as a by-product.

SEN. ECK commented the mining industry wanted the net proceeds process to be abandoned. She stated at the federal level there is a move to change from gross to net. She asked Mr. Hoffman what that move does to Montanans. Mr. Hoffman said he wasn't familiar enough with what the federal government is doing. He stated in terms of Montanans administering the taxes for natural resources in Montana, moving away from the net proceeds has made it easier for the DOR. Mr. Hoffman explained four staff employee positions in the Natural Resources Division has been eliminated because it cuts down on administration. CHAIRMAN DEVLIN acknowledged Mr. Dippold who asked to clarify a comment made by SEN. ECK. Mr. Dippold said the changes proposed by the federal government deals primarily with metals rather than non-metals.

SEN. GAGE asked Mr. Hoffman to respond to the issue discussed by SEN. SWYSGOOD in regard to the technical note. Mr. Hoffman stated an issue was made of the \$20.00 per ton in the fiscal note because at the time the department didn't have enough time to do research on it. He said research was conducted and \$20.00 is in range for industrial garnets.

Closing by Sponsor:

SEN. SWYSGOOD stated this is a win, win situation not only for the DOR but for the businesses of Montana that are trying to comply with the net proceeds law. He acknowledged this didn't give a tax break to anybody, it just establishes a tax rate and it is increased yearly by the consumer price index. SEN. SWYSGOOD stressed the hardest part of the situation was arriving at the base amount. He explained every operation had a different value of production. He requested the committee give approval of this bill.

CHAIRMAN DEVLIN asked SEN. SWYSGOOD to work with Mr. Hoffman, and the mine producers in attendance to figure out tonnage on a minimum type operation. He asked SEN. SWYSGOOD to bring an amendment back to the committee.

HEARING ON SB 404

CHAIRMAN DEVLIN stated SEN. BARRY "SPOOK" STANG has indicated he would prefer SB 404 be tabled.

SEN. STANG commented the people who requested he present the bill have decided to approach the issue in a different manner.

EXECUTIVE ACTION ON SB 404

Motion/Vote: SEN. STANG MOVED SB 404 BE TABLED. MOTION CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment:

  
\_\_\_\_\_  
GERRY DEVLIN, Chairman

  
\_\_\_\_\_  
RENEE J. PODELL, Secretary

GD/rp

MONTANA SENATE  
1995 LEGISLATURE  
TAXATION COMMITTEE

## ROLL CALL

DATE March 7, 1995

[illegible]

SEN:1995  
wp.rollcall.man  
CS-09

DATE March 7, 1995

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 404 Senator Stang  
SB 407 Senator Swygood

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Hugh Moore	Cominco American	407	X	
Martin Dippold	Cominco American	407	X	
Dennis Bury	MONTAX		✓	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY