



January 27, 2009

My name is Tom Simkins. I am the president and manager of Simkins-Hallin Lumber Co. Simkins is a 60 year old family owned business located in Bozeman Montana. The company is a three generation business that has a long track history of providing long term employment for Montanans. We employ about 115 people, and have employees who have made Simkins-Hallin their career. For example one of our employees has worked for the company for over 53 years, and another employee 50 years. I come before you because I am compelled to step forth for our 115 employees because SB 277 would be detrimental to their employment & their careers. My family has worked hard for three generations to develop a Montana owned company that provides opportunity for employees and in particular to compete successfully in the market place. SB 277 impedes our ability to compete with large out of state building supply companies.

We are not a retail business, but a supply business, furnishing goods and services to the construction industry. But since SB 277 does not distinguish us from retail, we are subject to this punitive tax. Simkins-Hallin mainly sells to other businesses such as building contractors and construction professionals. Much of our competition comes from out of state large corporations. Since building materials can be shipped in from out of state we often have to compete with out of state companies that have no in state facility. These large out of state companies come from metropolitan areas like Denver, Boise, Seattle and Portland. This bill will give these out of state suppliers a substantial advantage over local Montana business because they will not be subject to the tax and local companies like Simkins-Hallin will be subject to the tax.

Since Simkins-Hallin tries to furnish the whole package to the construction industry and some of our out of state competition only furnishes one product line, we will again be put at competitive disadvantage. For example our main wood window competition is Sierra Pacific Corporation, a large, out of State Corporation, but since they only sell wood windows they will not reach the \$25 million threshold and hence not be subject to the tax. However, Simkins-Hallin Lumber Co., the local Montana Company will be handicapped because they will be subject to this tax. We have other examples in other product lines that we sell like roofing, insulation & trusses.

A gross receipts tax is particularly punitive for a business like Simkins-Hallin Lumber Co. because we essentially sell to other businesses so we have a different mark up scheme than retail businesses. Much of our large framing loads go out at less than 10% mark up. In essence this tax is being levied against cost of goods sold, essentially taxing monies spent with vendors. This makes no sense at all, penalizing business for trying to give customers a good deal.

Even though Simkins-Hallin pays good wages and benefits I am not sure that with the inconclusive drafting of this bill that the exception for wages would apply. It is unclear whether the analysis occurs at time of hire or looks back at the one year of compensation package for entry-level hires. This bill does not recognize the realities of today's employment practices, in that most employees have a

probationary/training period. During this period, companies like ours have a series of automatic pay increases while employees are learning their job and getting trained, and a probationary period for the initiation of benefits like health insurance. Our health insurance carrier has a six month waiting period because of the transitory nature of the young often times single applicants for many of our jobs. Also to base this tax only on new employees does not make sense for Simkins-Hallin since the vast majority of employees have worked for Simkins-Hallin for several years. The vast majority of our employees make considerably more than the \$23,000 threshold. Basing this exemption on a minority of employees is unfair.

Also SB 277 puts Simkins-Hallin at a competitive disadvantage in the market place because we are forced to pay higher wages than our out of state competitors. Simkins-Hallin tries to pay the highest wage possible and still remain competitive. We recognize that our people are our number one asset. However, the future of Simkins-Hallin and its 115 employees will be compromised if this bill is adopted because our competitors will have an advantage in managing their number one expense, labor.

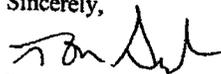
In short the owners and employees of Simkins-Hallin have worked hard for over 60 years to develop a strong business that provides stable rewarding employment opportunity for Montanans. SB 277 jeopardizes the employment and opportunities for our 115 employees. They deserve better. I don't think it is good public policy to adopt legislation that hurts local Montana businesses, but in the case of this bill, that is exactly what it does.

We believe that the bill unfairly targets certain businesses. However, if this bill does go forward we request that this Committee amend the language of the bill to provide an exception for building industry supply business such as ours that is similar to the exception for farm implement dealers and automobile dealers.

This bill also comes at a particularly bad time in the business cycle of the building supply industry. Although we strongly believe that there never will be a good time for the bill to be enacted, doing so now would make it even more difficult for us to keep as many people on our payroll as possible during these difficult economic times. We believe we have been very creative to find ways to keep as many employees as possible on our company payroll. However subjecting Simkins-Hallin to this unfair punitive tax (as well as the regular income tax) would force us to lay off many employees in order for the company to try to survive.

In summary, we strongly implore the members of this committee to vote to table SB 277 for all of the reasons we have discussed. Thank you for giving us the opportunity to provide our comments to the Committee on this vitally important issue.

Sincerely,



Tom Simkins
President