

Moore, Megan

From: Greg Hertz <greghertz11@gmail.com>
Sent: Monday, July 09, 2018 10:57 AM
To: Moore, Megan
Subject: Fwd: Your RTIC meeting next week and small ag classification

Could forward this to all RTIC members

Thanks - Greg

----- Forwarded message -----

From: **Tongue River Winery** <trwinery@midrivers.com>
Date: Fri, Jul 6, 2018 at 6:08 PM
Subject: Your RTIC meeting next week and small ag classification
To: greghertz11@gmail.com

Greetings, Mr. Hertz,

I was at your May meeting to express my concerns about the DOR's administrative rule changes that affect small agricultural producers. I hope your interim committee retains the simple policy that DOR has long used, and codify it into MCA so that DOR cannot tinker with this again:

1. That agricultural use be defined simply as 100 trees or 120 vines managed properly, with no acreage minimum;
2. That a taxpayer be provisionally qualified for ag classification for up to 5 years before meeting the gross income minimum;
3. That the gross income minimum remain at \$1500.

I'd like to argue further that the gross income minimum be an average of the last 5 years, once that minimum 5 year period is reached.

Let me offer some reasons for supporting the above policy or definition.

1. MOTHER NATURE'S FICKLENESS AND UNDEPENDABILITY

Last year our vineyard of 1.75 acres produced over 12000 pounds of grapes, 1000 pounds of cherries, and 500 pounds of other fruit, worth approximately \$17,000 in today's market. This year, due perhaps to a harsh winter, a long wet spring and a severe insect infestation last year that may have weakened the vines before entering dormancy, our estimated 2018 harvest is likely to be somewhere between 300-500 pounds— i.e. less than \$500 worth of product. And only 5-10 pounds of cherries. This is an extraordinary, unusual event for us, but it can happen, particularly in a harsh

and unpredictable land like Montana. Thus an average over 5 years is a fairer and more representative estimate of the productivity of a small agricultural venture.

2. **GRAPE AND FRUIT GROWERS SUPPLY WINERIES.** Our small family-run winery in Miles City last year grossed \$104,000. Our business provided one full-time taxpaying job, over \$30,000 of gross annual taxable income, and generated over \$1500 in wine excise tax for Montana. At the same time, our business brought in almost \$65,000 at our tasting room, and we estimate that at least 1/3 of that came from out-of-state customers— that is, over \$20,000 of new out of state money came into Montana through our winery alone last year. Estimates suggest that secondary revenue created by wineries is equal to at least 4 times the income at the winery itself. This means that our small winery is probably generating as much as \$100,000 of new money pouring into Montana from out-of-state customers, through their purchases at the winery, purchases of meals, gasoline, motels, etc. There are about a dozen Wineries in Montana generating this kind of new money for Montana, and most of them are larger than Tongue River Winery in Miles City.

3. **WE DEPEND ON EACH OTHER.** This year we will be purchasing fruit because of the tremendous shortfall we have at our own vineyard. We have purchased over \$2000 of rhubarb, most of it from North Dakota, and will be purchasing over \$3,000 of cherries from Wyoming. We expect to purchase, if we can find it, another 5-10,000 pounds of grapes. We buy fruit every year! ***WE NEED SMALL FRUIT GROWERS*** to make our business work. And as we grow, and the number of wineries in Montana grow, we'll need growers even more. We'd love to buy all our fruit in Montana, so that we could claim that our products are 100% grown here, made here, packaged here.

Montana can be small-minded and short-sighted and pass up the opportunity to support this fledgling but growing industry. If Oregon and Washington had been short sighted in this fashion, the hundreds of wineries and millions of tax dollars they generate in those states might not have happened.

Thus I urge you to honor Montana's Constitution and the DOR's historic policy of the past regarding eligibility for ag classification and do all you can to support ALL Montana agriculture, not just big ag.

Sincerely,

Bob Thaden

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