

SENATE BILL NO. 536

INTRODUCED BY G. HERTZ

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE CONTRACTOR'S GROSS RECEIPTS TAX;
PROVIDING AN EXEMPTION FROM THE TAX FOR CERTAIN INDIVIDUALS AND BUSINESSES THAT ARE
IN GOOD STANDING; REQUIRING AN APPLICATION TO RECEIVE THE EXEMPTION; PROVIDING A
DEFINITION THAT A CREDIT MAY BE CLAIMED BY AN EMPLOYEE STOCK OWNERSHIP PLAN
COMPANY; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-50-104 15-50-207, MCA;
PROVIDING FOR APPLICABILITY; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

~~NEW SECTION. Section 1. Exemption -- compliance with state tax laws considered --~~

~~rulemaking~~ (1) Subject to subsection (2), an individual who is a resident of the state or a business that is
licensed and in good standing in the state is eligible for an exemption from the provisions of this chapter if the
individual or business is in full compliance with all state income tax, payroll tax, and property tax obligations.

(2) The department shall publish a list of individuals and businesses on the department's website
that satisfy the provisions of subsection (1) on an application of the individual or business. An individual or
business that is listed on the department's website is exempt from the provisions of this chapter.

(3) The department may adopt rules to ensure the accuracy of exemption requirements, including
rules that provide reasonable deadlines to submit an initial application and any renewals.

(4) For the purpose of this section, the term "compliance" means all required state tax forms, tax
returns, and tax statements were filed on or before the statutory deadline, including any valid extensions, and
all state taxes and wage withholdings were paid on or before the statutory time for payment.

Section 2 ~~Section 15-50-101, MCA, is amended to read:~~

"15-50-101. Definitions. As used in this chapter, the following definitions apply:

(1) ~~"Department" means the department of revenue as provided in 2-15-1301.~~

(2) ~~"Gross receipts" means all receipts from sources within the state, whether in the form of money, credits, or other valuable consideration, received from, engaging in, or conducting a business, without deduction on account of the cost of the property sold, the cost of the materials used, labor or service cost, interest paid, taxes, losses, or any other expense whatsoever. However, gross receipts does not include cash discounts allowed and taken on sales and sales refunds, either in cash or by credit, uncollectible accounts written off from time to time, or payments received in final liquidation of accounts included in the gross receipts of any previous return made by the person.~~

(3) ~~(a) "Public contractor" means any person who submits a proposal to perform or enters into a contract for performing public construction work in the state with the federal government or state of Montana; with any board, commission, or department of the state; with any board of county commissioners, any city or town council, or any agency of any of them; or with any other public board, body, commission, or agency authorized to let or award contracts for any public work when the contract cost, value, or price exceeds the sum of \$80,000.~~

~~(b) The term public contractor includes subcontractors undertaking to perform work covered by the original contract or any part of the contract when the contract cost, value, or price exceeds the sum of \$80,000.~~

~~(c) The term does not include a person or business that is exempt from this chapter pursuant to [section 1 (2)]."~~

SECTION 1. Section 15-50-207, MCA, is amended to read:

"15-50-207. Credit against other taxes -- credit for personal property taxes and certain fees -- employee stock ownership plan company -- rulemaking. (1) (a) The additional license fees withheld or

otherwise paid as provided in this chapter may be used as a credit or a refund, depending on the type of tax the contractor is required to pay under the laws of the state as follows:

(i) _____ on the contractor's corporate income tax provided for in chapter 31 of this title or ;

(ii) _____ on the contractor's income tax provided for in chapter 30; or

(iii) _____ as a refund using a form promulgated by the department if the contractor is exempt from corporate or individual income taxes because of the contractor's status as an employee stock ownership plan corporation that is 100% owned by the employees, ~~depending upon the type of tax the contractor is required to pay under the laws of the state.~~

(b) _____ The department may adopt rules to administer the refund provided for in subsection (1)(a)(iii).

(b) (c) The credit allowed under this subsection (1) may be used as a carryforward against taxes imposed by chapter 30 or 31 for the 5 succeeding tax years. The entire amount of the credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

(2) Personal property taxes and the fee in lieu of tax on buses, trucks having a manufacturer's rated capacity of more than 1 ton, or truck tractors, as provided in 61-3-529, and the registration fee on light vehicles, as provided in 61-3-321(2) and 61-3-562, paid in Montana on any personal property or vehicle of the contractor that is used in the business of the contractor and is located within this state may be credited against the license fees required under this chapter. However, in computing the tax credit allowed by this section against the contractor's income tax or corporate income tax, the tax credit against the license fees required under this chapter may not be considered as license fees paid for the purpose of the income tax or corporate income tax credit."

~~NEW SECTION. Section 3 . Codification instruction. [Section 1] is intended to be codified as an integral part of Title 15, chapter 50, part 1, and the provisions of Title 15, chapter 50, part 1, apply to [section 1].~~

1 NEW SECTION. **Section 2.** **Effective date.** [This act] is effective January 1, 2026.

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3 NEW SECTION. SECTION 3. APPLICABILITY. [THIS ACT] APPLIES TO ACCRUED CREDIT CARRYFORWARDS
4 THAT ARE AVAILABLE TO A CONTRACTOR BUT NOT CLAIMED BECAUSE OF THE CONTRACTOR'S STATUS AS AN EMPLOYEE
5 STOCK OWNERSHIP PLAN CORPORATION THAT IS 100% OWNED BY THE EMPLOYEES.

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