



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0536.01: Provide good standing exemption for contractor gross receipts tax**

Primary Sponsor: Greg Hertz

Status: As Introduced

☐ Included in the Executive Budget

☒ Needs to be included in HB 2

☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts

☐ Technical Concerns

☐ Dedicated Revenue Form Attached

### **FISCAL SUMMARY**

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$272,578	\$267,430	\$270,346	\$274,280
<b>Revenues</b>				
General Fund (01)	(\$2,309,000)	(\$4,062,000)	(\$4,290,000)	(\$4,562,000)
<b>Net Impact</b>	<u>(\$2,581,578)</u>	<u>(\$4,329,430)</u>	<u>(\$4,560,346)</u>	<u>(\$4,836,280)</u>
<b>General Fund Balance</b>				

### **Description of fiscal impact**

SB 536 provides an exemption to the public contractor's gross receipts tax for residents or businesses licensed in the state if they are in full compliance with all state income tax, payroll tax, and property tax obligations. It would require the Department of Revenue to publish a list on the website of exempt entities. It also gives the Department of Revenue rulemaking authority on the requirements to ensure accuracy of exemptions and rules that provide reasonable deadlines to submit an initial application and any renewals. SB 536 reduces general fund revenue.

### **FISCAL ANALYSIS**

#### **Assumptions**

#### **Department of Revenue**

1. SB 536 creates an exemption from contractors' gross receipts tax for individual residents or licensed businesses who are in full compliance with state income tax, payroll tax, and property tax obligations.
2. The department will be required to publish a list of individuals and businesses who, upon application, are deemed to be in full compliance with all tax obligations.
3. According to historical data from the department, the average rate of tax noncompliance for individuals and businesses is approximately 4% for a given year; therefore, 96% of individuals or businesses are in "good standing" and will be eligible for an exemption.
4. It is assumed that 96% of contractors' gross receipts taxpayers make up approximately 96% of the revenue.
5. Projected revenue from contractors' gross receipts in HJ 2 is \$4.812 million in FY 2026, \$4.231 million in FY 2027, \$4.469 in FY 2028, and \$4.752 million in FY 2029. Contractors' gross receipts tax revenue is deposited wholly in the general fund.
6. All individuals and businesses in "good standing" are expected to apply for exemption from the tax. If all applications are approved, this will reduce general fund revenue by \$2.309 in FY 2026 (halved because of

**Fiscal Note Request - As Introduced**

(continued)

January 1, 2026, effective date), \$4.062 million in FY 2027, \$4.290 million in FY 2028, and \$4.562 million in FY 2029.

7. SB 536 is effective January 1, 2026.
8. The department will need to hire 3 FTE (2 tax examiners and 1 audit technician) to verify compliance across all taxes monitored by the division for the taxpayers applying for the exemption. In addition, the department will need to mail out determination letters. Total costs are anticipated to be \$272,578 in FY 2026, \$267,430 in FY 2027, \$270,8626 in FY 2028, and \$274,280 in FY 2029.

**Fiscal Analysis Table**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				
FTE	3.00	3.00	3.00	3.00
<b>TOTAL Fiscal Impact</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>	<b>3.00</b>
<b><u>Expenditures</u></b>				
Personal Services	\$226,378	\$229,204	\$232,072	\$234,983
Operating Expenses	\$37,326	\$38,226	\$38,274	\$39,297
Equipment	\$8,874	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$272,578</b>	<b>\$267,430</b>	<b>\$270,346</b>	<b>\$274,280</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$272,578	\$267,430	\$270,346	\$274,280
<b>TOTAL Funding of Expenditures</b>	<b>\$272,578</b>	<b>\$267,430</b>	<b>\$270,346</b>	<b>\$274,280</b>
<b><u>Revenues</u></b>				
General Fund (01)	(\$2,309,000)	(\$4,062,000)	(\$4,290,000)	(\$4,562,000)
<b>TOTAL Revenues</b>	<b>(\$2,309,000)</b>	<b>(\$4,062,000)</b>	<b>(\$4,290,000)</b>	<b>(\$4,562,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$2,581,578)	(\$4,329,430)	(\$4,560,346)	(\$4,836,280)

**NO SPONSOR SIGNATURE**

Sponsor's Initials

Date

3/28/25

Budget Director's Initials

3/28/2025

Date

