



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0536.03 (001): Revise contractor gross receipts tax

Primary Sponsor: Greg Hertz Status: As Amended in House Committee

☐ 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</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	(\$10,402,000)	(\$4,240,000)	(\$4,477,000)	(\$4,760,000)
Net Impact	<u>(\$10,402,000)</u>	<u>(\$4,240,000)</u>	<u>(\$4,477,000)</u>	<u>(\$4,760,000)</u>
General Fund Balance				

Description of fiscal impact

SB 536, as amended, provides for a credit or a refund, depending on the type of tax the contractor is required to pay under law, to be claimed by companies that have an established Employee Stock Ownership Plan (ESOP). It also allows for real property taxes paid to be credited against gross receipts tax owed. The credit applies to accrued credit carryforwards that are available to a contractor but not claimed because of the contractor's status as an ESOP company. No additional full-time employees would be needed to implement the process but there would be a fiscal impact to the general fund.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. SB 536, as amended, allows contractor companies that are organized as an employee stock ownership plan (ESOP) to receive a refund of public contractors' gross receipts tax paid.
2. Currently, there are two companies that file for the public contractors' gross receipts tax that have an ESOP structure.
3. Additionally, SB 536, as amended, will allow companies to apply real property taxes paid against their gross receipts tax.
4. The provisions of SB 536 apply to accrued credit carryforwards, which means the ESOP company would be eligible for the accrued credit over the five-year period prior to the effective date of the bill, so credits accrued during the period FY 2020 - 2024.
5. The HJ 2 forecast for the public contractors' gross receipts tax is used to estimate the fiscal impact for FY 2026 - FY 2029. The impact to FY 2026 is larger because it accounts for the five-year credit accrual mentioned above.
6. Allowing real property taxes paid to be credited against gross receipts tax owed is estimated to reduce

- general fund revenue by \$4,331,000 in FY 2026, \$3,808,000 in FY 2027, \$4,022,000 in FY 2028, and \$4,277,000 in FY 2029.
7. SB 536, as amended, reduces general fund revenue by \$10,402,000 in FY 2026, \$4,240,000 in FY 2027, \$4,477,000 in FY 2028, and \$4,760,000 in FY 2029.
8. SB 536 is effective January 1, 2026.

Fiscal Analysis Table

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
General Fund (01)	<u>(\$10,402,000)</u>	<u>(\$4,240,000)</u>	<u>(\$4,477,000)</u>	<u>(\$4,760,000)</u>
TOTAL Revenues	<u>(\$10,402,000)</u>	<u>(\$4,240,000)</u>	<u>(\$4,477,000)</u>	<u>(\$4,760,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>(\$10,402,000)</u>	<u>(\$4,240,000)</u>	<u>(\$4,477,000)</u>	<u>(\$4,760,000)</u>

NO SPONSOR SIGNATURE

4/22



Sponsor's Initials

Date

Budget Director's Initials

4/22/2025

Date