

**Public Contractors Tax**

**Revenue Description**

A license fee is applied to the gross receipts of each separate project let by any of the listed public entities. Part or all of a contractor’s fee may be refunded through class 8 business equipment property or vehicle taxes, or claimed as a credit on individual or corporation income tax returns.

**Statutory Reference**

Tax Rate – [15-50-205, MCA](#)

Tax Distribution – [15-50-311, MCA](#)

Date Due – within 30 days after payment to the contractor ([15-50-309, MCA](#))

**Applicable Tax Rates**

A 1.0% license fee is applied to all public contracts over \$5,000.

**Collection Frequency:** Monthly

**Distribution:** All proceeds are deposited into the general fund.

**Comparison of Legislative and Executive Forecasts**

The difference between the legislative and executive forecasts is primarily due to the difference in non-highway construction estimates.

Public Contractors' Gross Receipts Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$2.930	\$3.250	\$3.550	\$9.730
Legislative Forecast	2.817	3.560	3.476	9.853
Difference	\$0.113	(\$0.310)	\$0.074	(\$0.123)
% Difference	4.0%	-8.7%	2.1%	-1.3%

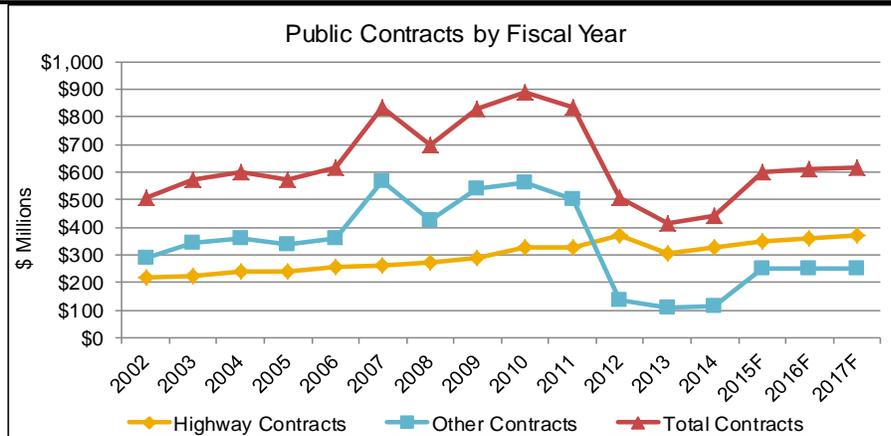
**Forecast Risks**

- Federal highway trust fund status
- State legislative funding of infrastructure projects

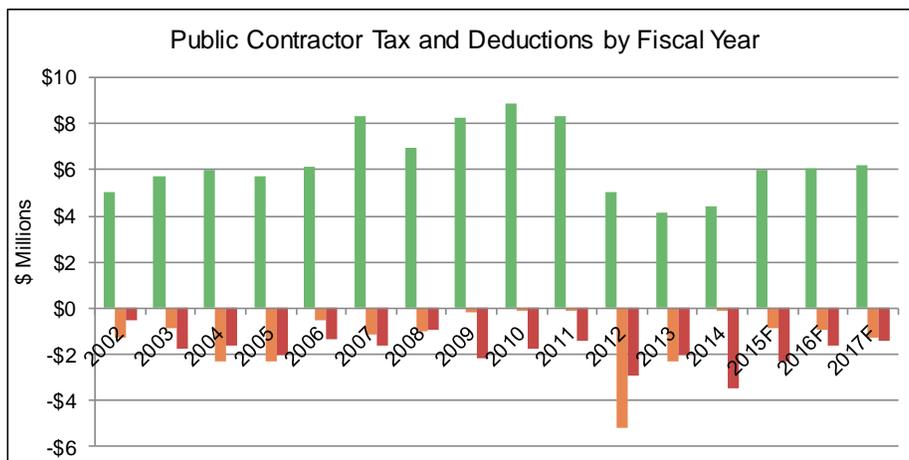
**Revenue Estimate Methodology**

Data

The estimate for this source is based on historical revenue collection and highway expenditure data from SABHRS. A proxy for gross tax collections is developed by adjusting the SABHRS total collection data to account for refunds and credits. The gross proxy is disaggregated into two contract classifications, highway payments and all other contracts.



Public contractor’s tax revenue has been highly variable due to inconsistencies in processing payment of refunds and credits; in addition, there has been recent volatility as a result of the increased number of public projects funded through the American Recovery & Reinvestment Act (ARRA) in 2009 and 2010, followed by higher levels of credits and refunds in subsequent years.



Refunds are made up primarily of refund claims against the class 8-business property tax. Credits are authorized for both individual income tax and the corporation license tax. There is a significant time lag between the date of the contract and the reimbursement of the tax through credits or refunds, so large fluctuations in public construction projects may continue to produce unusual future collection patterns.

Analysis

Highway payments are forecast on a time trend; all other contracts are forecast as an approximate historical average. This sum of these two categories is multiplied by 1% to obtain the gross tax revenue. Gross taxes are reduced by an aggregate forecast of refunds and credits to produce net tax collections.

**Business and Personal Taxes**  
**Revenue Estimate Assumptions**

**Public Contractors Tax**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Credits & Refunds \$ Millions	Highway Payments \$ Millions	Other Contracts \$ Millions
A 2002	\$3.267	\$3.267	\$5.053	\$1.788	\$217.749	\$287.595
A 2003	3.082	3.082	5.706	2.625	226.114	344.530
A 2004	2.120	2.120	6.004	3.884	241.630	358.780
A 2005	1.411	1.411	5.752	4.341	239.291	335.919
A 2006	4.275	4.275	6.158	1.883	254.388	361.377
A 2007	5.567	5.567	8.336	2.769	263.661	569.907
A 2008	5.063	5.063	6.964	1.902	271.911	424.512
A 2009	5.930	5.930	8.287	2.357	290.142	538.592
A 2010	6.969	6.969	8.882	1.913	327.226	561.023
A 2011	6.803	6.803	8.329	1.525	329.808	503.052
A 2012	(3.042)	(3.042)	5.068	8.110	368.229	138.576
A 2013	(0.138)	(0.138)	4.162	4.299	306.053	110.109
A 2014	0.887	0.887	4.407	3.520	324.791	115.932
F 2015	2.817	2.817	5.998	3.181	349.804	250.000
F 2016	3.560	3.560	6.093	2.533	359.268	250.000
F 2017	3.476	3.476	6.187	2.711	368.732	250.000

**Revenue Projection**

