



July 14, 2020

**RE: Contractors Gross Receipts comments**

To the members of the Revenue Interim Committee

Montana contractors receive a benefit from the Gross Receipts Tax, and as an association representing that group, we ask you to consider continuing the tax and credit as it exists.

According to one building contractor:

*"It gives a small competitive advantage against out-of-state competition because they typically cannot claim the tax credit. It is also a small opportunity to increase our net margins in a very competitive construction environment where fees are being driven down to the low single digits.*

*"Some years it has allowed us to reinvest in some equipment we would normally have had to forego (good for the economy) or we have been able to distribute bonuses to key employees above what we may normally be able to do. (good for the economy)*

And from a highway contractor:

*"Currently the GRT is accessible as a refund through property taxes and as a credit on state taxes. We are strongly opposed to removing the GRT credit as a MT Resident contractor. It is a self-sustaining credit as it is financed via the GRT collected on contracts so it should not be lumped together with other tax credits."*

The GRT encourages contractors to set up operations in Montana (several have done so in the past 2 years), it encourages investment in equipment and offers small companies an opportunity to provide greater earnings. It is a benefit for Montana-based companies.

Often a bill will be drafted to provide Montana contractors with a 'preference', which would allow them to be higher than an out-of-state bid on publicly-funded projects. For the reasons stated above, our membership has stated through the years that the MCA should oppose such a bill.

I would be happy to answer any questions from the Committee.

Regards,

David Smith  
Executive Director  
Montana Contractors' Association