

OFFICE OF THE GOVERNOR  
STATE OF MONTANA

GREG GIANFORTE  
GOVERNOR



KRISTEN JURAS  
LT. GOVERNOR

May 16, 2025

The Honorable Brandon Ler  
Speaker of the House  
State Capitol  
Helena, MT 59620

The Honorable Matt Regier  
President of the Senate  
State Capitol  
Helena, MT 59620

Dear Speaker Ler and President Regier:

In the 1960's, Montana enacted the public contractor's gross receipts tax to ensure out-of-state contractors pay taxes they owe to the state. Under current law, contractors may use their gross receipts tax payments as credits against certain taxes, including motor vehicle fees on business vehicles, property taxes on equipment, and income taxes.

Senate Bill 536 creates a new, special tax benefit to contractors owned by Employee Stock Ownership Plans (ESOPs), allowing those entities to claim a full refund of their gross receipts tax. No other business that pays the gross receipts tax receives this kind of preferential treatment. Rather than treating all businesses fairly, Senate Bill 536 creates a special carveout for one kind of ownership structure, to the exclusion of others.

While I'm no fan of taxes, this new special tax benefit comes on top of generous preferential treatment already granted to ESOPs under state and federal tax law that is not available to other ownership structures. Some of these special tax benefits include an income tax exemption for ESOP earnings, capital gains tax deferrals for owners who sell stock to an ESOP, and tax-deductible contributions for employers to purchase stock and repay loans. These advantages are meaningful and appropriate, but they are also substantial. Creating additional special tax carveouts for ESOPs is not only unnecessary but also unfair to other businesses that shoulder the full burden of their tax responsibilities.

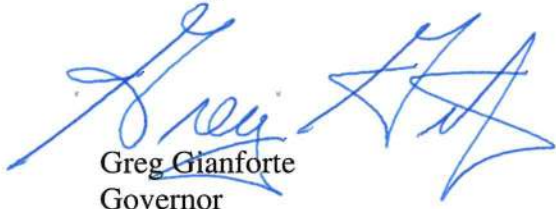
After considering the unfair nature of this special tax carveout, I must turn my attention to the fiscal impact of Senate Bill 536 and its nearly \$24 million hit to the General Fund over the next four years.

Our Montana Constitution requires us to balance our budget. In 2021 and 2023, I am proud that we worked together to deliver balanced budgets that not only were fiscally responsible, but also allowed us to seize the opportunity to let hardworking Montanans keep more of what they earn. The budget proposal I sent to the Legislature for the 2025 Legislative Session was fiscally conservative, keeping spending below inflation.

The budget and other bills with hefty price tags that the Legislature passed, however, are not fiscally responsible. Therefore, I will keenly review the budget and spending bills the Legislature passed, making some difficult decisions to protect taxpayers and their hard-earned resources. Hardworking Montanans expect us to be fiscally responsible. A \$24 million special tax carveout for one kind of business entity is not fiscally responsible.

Therefore, in accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto Senate Bill 536: "AN ACT REVISING THE CONTRACTOR'S GROSS RECEIPTS TAX; PROVIDING THAT A CREDIT MAY BE CLAIMED BY AN EMPLOYEE STOCK OWNERSHIP PLAN COMPANY; EXTENDING THE TIMEFRAME TO CLAIM THE CREDIT; PROVIDING THAT THE CREDIT MAY OFFSET CERTAIN REAL PROPERTY TAXES; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-50-207, MCA; PROVIDING FOR APPLICABILITY; AND PROVIDING A DELAYED EFFECTIVE DATE."

Sincerely,



Greg Gianforte  
Governor

Enclosure

cc: Legislative Services Division  
Christi, Jacobsen, Secretary of State