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SENATE BILL 5232

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State of Washington                      60th Legislature                      2007 Regular Session

By Senators Haugen, Prentice, Kastama, Rasmussen and Holmquist

Read first time 01/15/2007. Referred to Committee on Ways & Means.

1            AN ACT Relating to excise tax exemptions for water services  
2 provided by small water systems; adding a new section to chapter 82.04  
3 RCW; adding a new section to chapter 82.16 RCW; and adding a new  
4 section to chapter 82.32 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6            NEW SECTION.    **Sec. 1.** A new section is added to chapter 82.04 RCW  
7 to read as follows:

8            (1) This chapter does not apply to amounts received for water  
9 services supplied by a:

10            (a) Public utility district established under Title 54 RCW, a  
11 water-sewer district established under Title 57 RCW, or an irrigation  
12 district established under Title 87 RCW that:

13            (i) Has less than one thousand five hundred water service  
14 connections; and

15            (ii) Charges residential water rates that exceed one hundred  
16 twenty-five percent of the statewide average residential water rate  
17 published on or before July 1st of each year by the department of  
18 health; or

19            (b) Water system that:

1 (i) Is operated or owned by a qualified satellite system management  
2 agency under RCW 70.116.134;

3 (ii) Has less than two hundred water service connections; and

4 (iii) Charges residential water rates that exceed one hundred  
5 twenty-five percent of the statewide average residential water rate  
6 published on or before July 1st of each year by the department of  
7 health.

8 (2) To receive an exemption under this section, the water system or  
9 irrigation district shall supply to the department of revenue proof  
10 that an amount equal to at least ninety percent of the value of the  
11 exemption shall be expended to repair, equip, maintain, and upgrade the  
12 water system.

13 (3) The department of health may use rate information provided in  
14 surveys and reports produced by the association of Washington cities,  
15 an association of elected officials, or other municipal association to  
16 estimate a statewide average residential water rate.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.16 RCW  
18 to read as follows:

19 (1) This chapter does not apply to amounts received for water  
20 services supplied by a:

21 (a) Public utility district under Title 54 RCW, a water-sewer  
22 district established under Title 57 RCW, or an irrigation district  
23 established under Title 87 RCW that:

24 (i) Has less than one thousand five hundred water service  
25 connections; and

26 (ii) Charges residential water rates that exceed one hundred  
27 twenty-five percent of the statewide average residential water rate  
28 published on or before July 1st of each year by the department of  
29 health; or

30 (b) Water system that:

31 (i) Is operated or owned by a qualified satellite system management  
32 agency under RCW 70.116.134;

33 (ii) Has less than two hundred water service connections; and

34 (iii) Charges residential water rates that exceed one hundred  
35 twenty-five percent of the statewide average residential water rate.

36 (2) To receive an exemption under this section, the water system or  
37 irrigation district shall supply to the department of revenue proof

1 that an amount equal to at least ninety percent of the value of the  
2 exemption shall be expended to repair, equip, maintain, and upgrade the  
3 water system.

4 (3) For the purposes of this section, "statewide average  
5 residential water rate" means the statewide average residential water  
6 rate published under section 1 of this act.

7 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.32 RCW  
8 to read as follows:

9 The legislature finds that accountability and effectiveness are  
10 important aspects of setting tax policy. In order to make policy  
11 choices regarding the best use of limited state resources, the  
12 legislature needs information to evaluate whether the stated goals of  
13 legislation were achieved.

14 (1) The goals of the small public water system excise tax  
15 exemptions are:

16 (a) To provide assistance to small public water systems, that are  
17 most in need, to make necessary and immediate repairs to their  
18 infrastructural needs; and

19 (b) To allow these small systems to comply with state and federal  
20 mandates necessary for safe drinking water for citizens served by these  
21 systems.

22 (2)(a) A person who receives the benefit of a tax exemption under  
23 section 1 or 2 of this act shall make an annual report to the  
24 department detailing the specific capital improvements that were made  
25 to their respective systems by utilizing the money made available by  
26 these exemptions. The report is due by March 31st following any year  
27 in which a tax exemption under section 1 or 2 of this act is claimed or  
28 used. Information in a report under this section is not subject to the  
29 confidentiality provisions of RCW 82.32.330 and may be disclosed to the  
30 public upon request.

31 (b) If a person fails to submit an annual report under (a) of this  
32 subsection by the due date of the report, the department shall declare  
33 the amount of taxes exempted for that year to be immediately due and  
34 payable. Public utility taxes payable under this subsection are  
35 subject to interest but not penalties, as provided under this chapter.  
36 This information is not subject to the confidentiality provisions of  
37 RCW 83.32.330 and may be disclosed to the public upon request.

1           (3) By December 1, 2011, the fiscal committees of the house of  
2 representatives and the senate, in consultation with the department,  
3 shall report to the legislature on the effectiveness of the tax  
4 exemptions under sections 1 and 2 of this act.

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