

SENATE BILL REPORT

SHB 1592

As Reported By Senate Committee On:
Ways & Means, April 3, 1997

Title: An act relating to tax exemptions for small water districts and systems.

Brief Description: Providing tax exemptions for small water districts and systems.

Sponsors: House Committee on Finance (originally sponsored by Representatives Bush, Kastama, Mulliken, Regala, K. Schmidt, McDonald, Lantz, Robertson, Chandler, Poulsen, Talcott, Backlund, McMorris, Thompson, O'Brien, Linville, Dunn and Sheldon).

Brief History:

Committee Activity: Ways & Means: 4/2/97, 4/3/97 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Brown, Hochstatter, Kohl, Long, Loveland, McDonald, Rossi, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: Washington has over 14,000 water systems with about 200 of these systems serving over 85 percent of the state's population. Ten thousand of the state's water systems serve only 2 percent of the state's population. Most of these small water systems are privately owned.

Water systems serving at least 25 persons, or 15 connections, must meet federal Safe Drinking Water Act requirements. Compliance with these requirements can impose high costs on households served by small systems, since small systems typically cannot take advantage of economies of scale and must spread costs over a small customer base.

In Washington public- and privately-owned utilities are subject to the public utility tax instead of the business and occupation (B&O) tax. Water distribution businesses pay a public utility tax of 5.029 percent on gross receipts.

Summary of Amended Bill: The following water distribution businesses are exempt from public utility and B&O taxes through July 1, 2003:

- water districts that:
 - (1) serve fewer than 1,500 connections; and
 - (2) charge water rates in excess of 125 percent of the average statewide rate.

- water systems that:

- (1) are owned and/or operated by a satellite system management agency;
- (2) serve fewer than 200 connections; and
- (3) charge water rates in excess of 125 percent of the average statewide rate.

Eligible water distribution businesses are either water districts or water systems managed by a satellite management agency. Municipal water systems, public utility district systems, and irrigation district systems are not eligible for these tax exemptions.

The water district or satellite system management agency must spend at least 90 percent of the tax exemption to maintain and upgrade their systems.

Amended Bill Compared to Substitute Bill: The substitute clarifies that only the water portion of water/sewer districts are eligible for the exemption and it adds the requirement to spend at least 90 percent on system infrastructure.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill will allow small water districts to pay for upgrades to their systems.

Testimony Against: None.

Testified: Joe Daniels, Washington Association of Sewer and Water Districts; Jim Morgan, Valley Water Districts (pro).