

SENATE BILL REPORT

SHB 2711

As Reported By Senate Committee On:
Ways & Means, March 2, 1998

Title: An act relating to tax exemptions for small irrigation districts.

Brief Description: Providing tax exemptions for small irrigation districts.

Sponsors: House Committee on Finance (originally sponsored by Representatives Parlette, Chandler, Mulliken and Sump).

Brief History:

Committee Activity: Ways & Means: 3/2/98 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

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

Staff: David Schumacher (786-7474)

Background: Washington has over 14,000 water systems. 200 of these systems serve over 85 percent of the state's population. In contrast, 10,000 of the state's water systems serve only 2 percent of the state's population.

Water systems serving at least 25 persons or 15 connections must meet federal Safe Drinking Water Act requirements. If tests indicate the presence of contaminants, then additional testing, treatment and system upgrades may be required. Fulfilling water testing, filtration, and treatment obligations imposes costs on water systems. The cost per customer in meeting these obligations can be high for small systems, since small systems must spread costs over a smaller customer base.

Certain types of businesses are subject to the public utility tax instead of the business and occupation (B&O) tax. The public utility tax is applied to the gross receipts of the business. Water distribution businesses pay a public utility tax of 5.029 percent on gross receipts.

The 1997 Legislature exempted small water-sewer districts and water systems owned by a satellite system management agency from the B&O and public utility tax. At least 90 percent of the value of the tax exemptions must be used to repair, equip, upgrade, or maintain the system. The tax exemptions expire on July 1, 2003.

Drinking water systems operated by cities, towns, public utility districts, or irrigation districts do not qualify for the tax exemptions.

Summary of Bill: The current public utility and B&O tax exemptions for certain small water systems and water-sewer districts is expanded to also include irrigation districts that:

- (1) Serve fewer than 1,500 drinking water connections; and
- (2) Charge a residential drinking water rate exceeding 125 percent of the average statewide water rate.

At least 90 percent of the value of the tax exemptions has been used to repair, equip, upgrade, or maintain the system.

The tax exemptions expire on July 1, 2004.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: The Safe Drinking Water Act imposes extra costs on small water districts. In 1997, the Legislature exempted small water districts from tax; this bill simply includes small irrigation districts that also supply drinking water. The tax savings will be applied to upgrading the systems.

Testimony Against: None.

Testified: PRO: Representative Parlette, original prime sponsor; Mike Schwisow, Washington State Water Resources Association.