

Agriculture & Ecology Committee

HB 1871

Brief Description: *Changing provisions relating to reclaimed water.*

Sponsors: *Representatives Linville, G. Chandler, Grant, Doumit, Gombosky, Santos, Lovick, O'Brien, Wood, McDermott, Edmonds and Jackley.*

Brief Summary of Bill

- *Exempts machinery, equipment, and revenues related to water reclamation activities from the public utility, retail sales, and use taxes.*

Hearing Date: *2/15/01*

Staff: *Caroleen Dineen (786-7156).*

Background:

Reclaimed water is an effluent derived from a wastewater treatment system that has been treated to be suitable for a beneficial use or a controlled use that would otherwise not occur. The Department of Health (DOH) may issue permits for commercial or industrial uses of reclaimed water to the water generator. A reclaimed water permit may only be issued to a governmental entity or to the holder of a water quality waste discharge permit.

Reclaimed water may be used for a variety of purposes. A generator receiving a permit for land application of reclaimed water from the Department of Ecology (DOE) may distribute the water subject to provisions in the permit governing the location, rate, water quality, and use. Reclaimed water also may be used for surface spreading if the reclaimed water meets the criteria for groundwater recharge and is incorporated into a sewer or water comprehensive plan or if the DOE (in consultation with the DOH) specifically authorizes use of reclaimed water not meeting the criteria. In addition, reclaimed water may be discharged into constructed beneficial use wetlands and constructed treatment wetlands under specified conditions. Further, reclaimed water may be discharged for streamflow augmentation if it meets federal water quality standards and is incorporated into an approved sewer or water comprehensive plan.

Public and privately-owned utilities, such as power and light, natural gas, and water distribution companies, pay a gross receipts public utility tax instead of the business and occupation (B&O) tax. The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax, equal to the sales tax rate multiplied by the value of the property used, is imposed on the use of an item in this state when the acquisition of the item has not been subject to sales tax.

Summary of Bill:

Several tax exemptions are authorized for machinery, equipment, and revenues related to water reclamation activities. First, the public utility tax does not apply to amounts received for water services supplied by an entity that holds a reclaimed water permit when the water supplied is reclaimed water. Second, the state retail sales tax does not apply to sales of machinery and equipment used directly in transmitting, distributing, or storing reclaimed water. Third, the use tax does not apply to the use of machinery and equipment used directly in transmitting, distributing, or storing reclaimed water.

For purposes of the sales tax and use tax exemptions, eligible machinery and equipment must be used for the primary purpose of conducting reclaimed water from a wastewater treatment facility for a beneficial use, including streamflow augmentation. "Machinery and equipment" is defined for these exemptions to mean pipelines, outfalls, conduits, pumping stations, instrumentation and monitoring equipment, structures, machinery, equipment, accessories, and all other construction, devices, appurtenances, and facilities used for the primary purpose of conducting reclaimed water.

Appropriation: None.

Fiscal Note: Requested on February 11, 2001.

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