

SPECIAL NOTICE

June 2, 2004

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

Small Water-Sewer and Irrigation Districts/Systems Exemptions Expire

Effective July 1, 2004, RCW 82.16.042 and RCW 82.04.312 expire. These statutes provided exemptions under the service and other activities classification of the business and occupation (B&O) and the water distribution classification of the public utility tax (PUT). The exemptions applied to water-sewer districts and irrigation districts with fewer than 1500 connections, and small water systems with fewer than 200 connections, that provide residential drinking water and exceed 125% of the average state-wide residential water rate. The statutes included an expiration date of July 1, 2004. This means that after June 30, 2004, B&O tax or public utility tax will apply on the income that was previously exempt under those statutes.

DOR Accounts Will Be Activated

Many water-sewer districts, irrigation districts, and small water systems that previously qualified for these exemptions were placed on "Active Non-Reporting" status, which meant they were not required to file a tax return with the Department of Revenue.

However, these accounts will be activated by the Department effective July 1, 2004, and will initially be placed on an "annual" reporting status. The first tax return due will be the Annual 2004 return for income received for services provided on or after July 1, 2004 through December 31, 2004. The Annual 2004 return will be due by January 31, 2005. The business's reporting status is subject to change after the 2004 return is reported to the Department.

Deductions Available to Water Distribution & Sewerage Collection Businesses

There are a number of deductions that remain available to water distribution and sewerage collection businesses. These deductions include:

- ◆ Amounts derived from the distribution of water through an irrigation system, for irrigation purposes.
- ◆ Amounts derived from the distribution of water by a nonprofit water association and used for capital improvements by that nonprofit water association;
- ◆ Amounts derived from water sales for resale to another water distribution business.
- ◆ Amounts paid by a sewerage collection business for the treatment or disposal of sewage.

Records must be maintained to document these deductions. Water distribution and sewerage collection businesses should refer to WAC 458-20-179 and 458-20-251 for information about public utility tax.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.