



Excise Taxes for Utilities

2023 IACC Conference

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Workshop Agenda

- Water Utility Taxes.
- Sewer Utility Taxes.
- Use Tax.
- Resources.

Objectives



- Provide up-to-date information.
- Talk about business records.
- Answer your questions.

Tax Types





Business Records

- Keep for five years:
 - Income records.
 - Deduction documentation.
 - Purchase invoices.

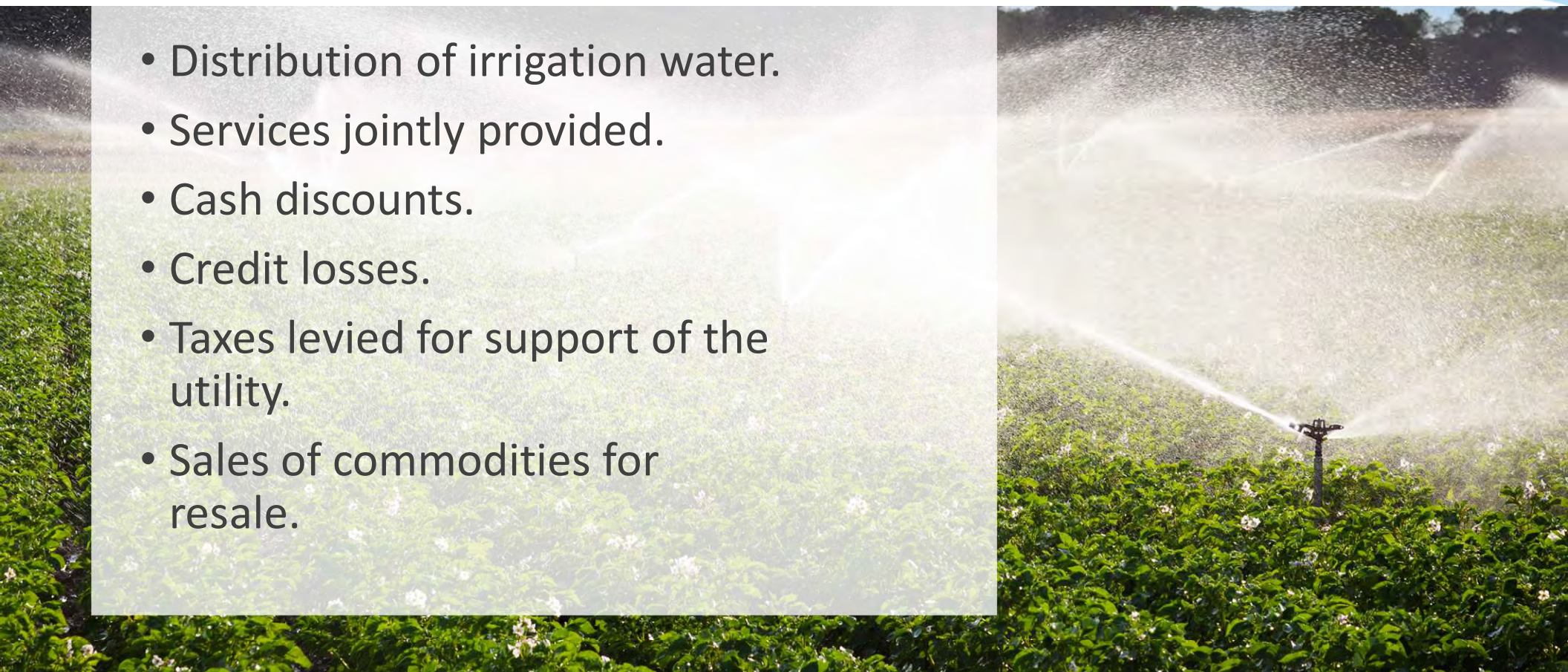
Water Distribution Public Utility Tax

- Gross income subject to tax:
 - Water distribution.
 - Service connections and line extensions for existing customers.



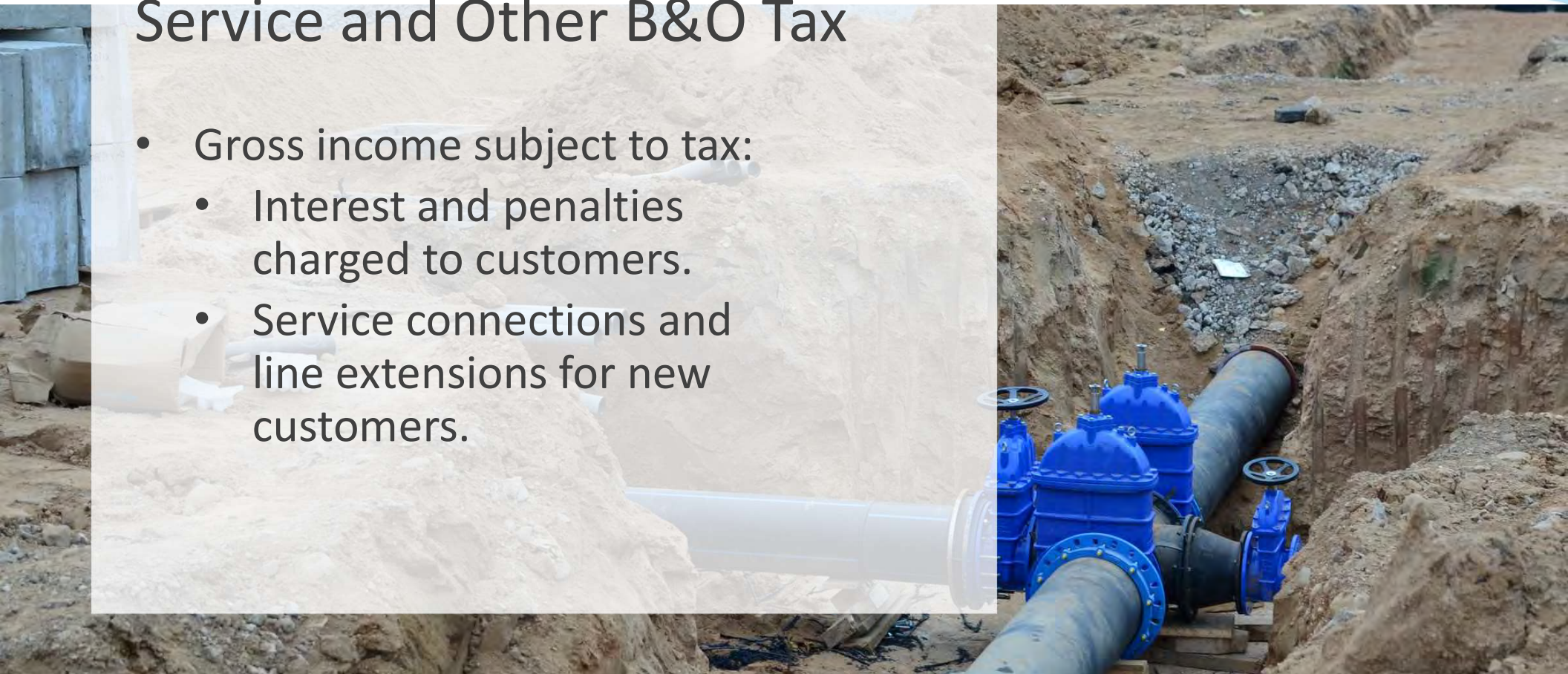
Water Distribution Deductions

- Distribution of irrigation water.
- Services jointly provided.
- Cash discounts.
- Credit losses.
- Taxes levied for support of the utility.
- Sales of commodities for resale.



Water Utility – Service and Other B&O Tax

- Gross income subject to tax:
 - Interest and penalties charged to customers.
 - Service connections and line extensions for new customers.



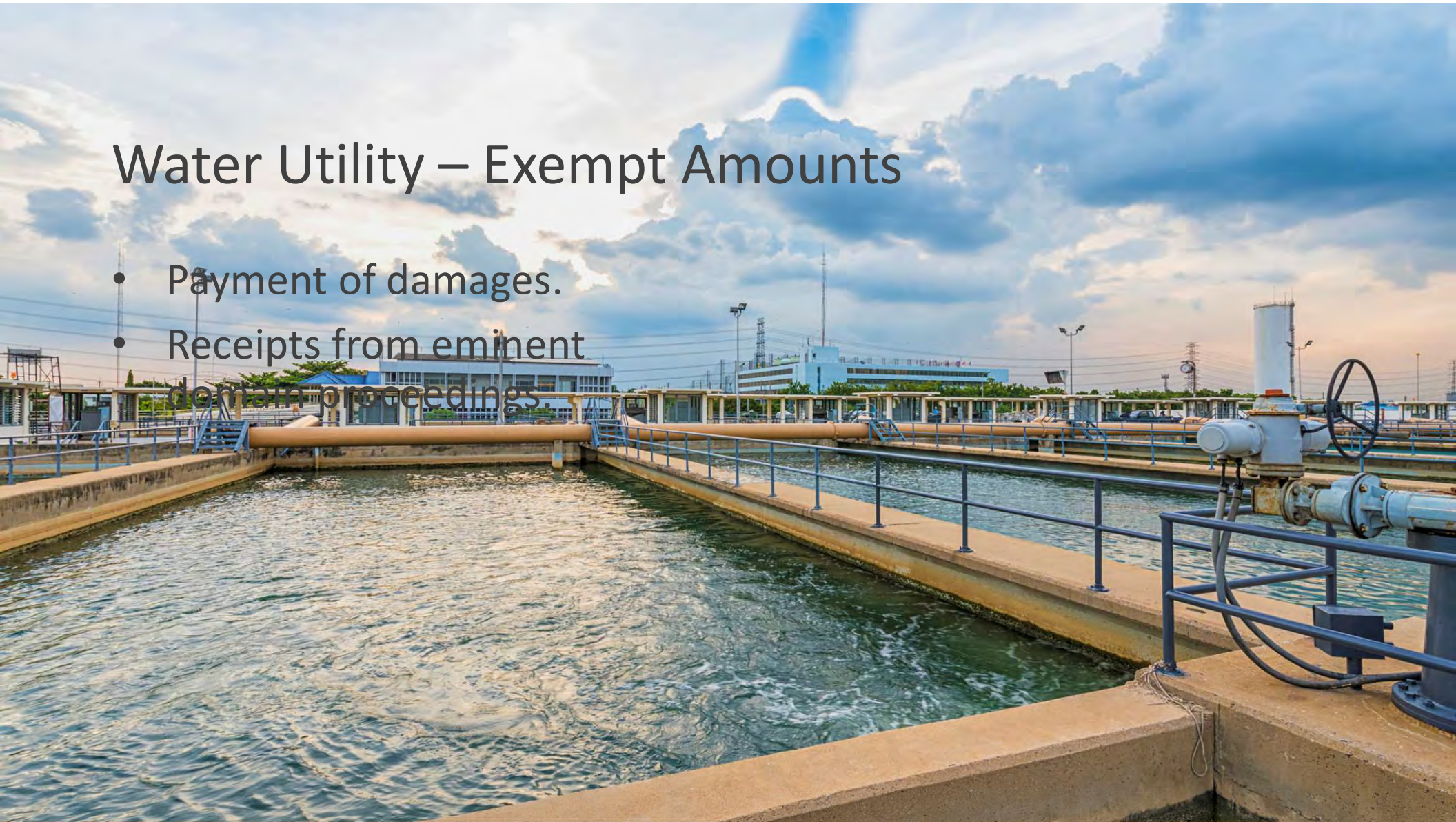
Water Utility – Retail Sales

- Sales and repairs of tangible personal property:
 - Gross income subject to retailing B&O tax.
 - Collect retail sales tax from customer.



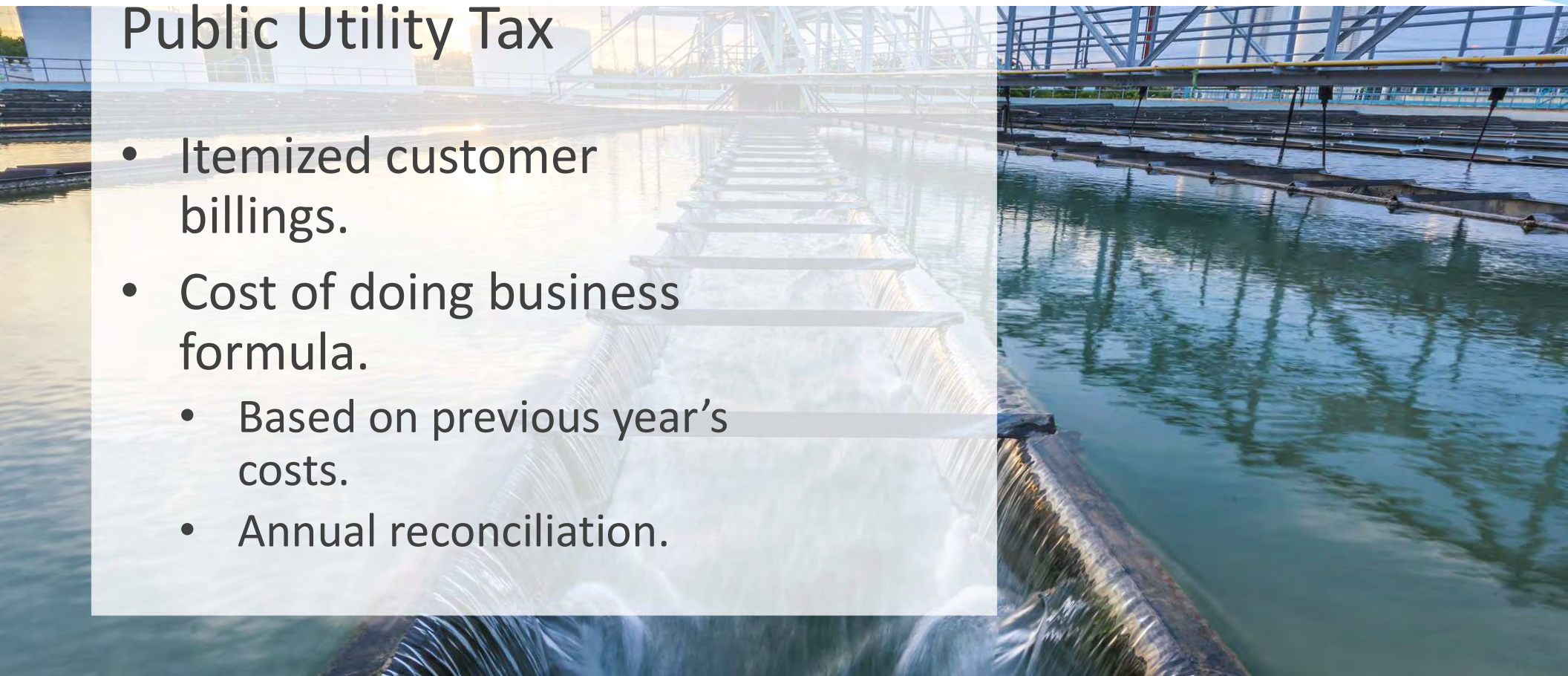
Water Utility – Exempt Amounts

- Payment of damages.
- Receipts from eminent domain proceedings.



Sewerage Collection Public Utility Tax

- Itemized customer billings.
- Cost of doing business formula.
 - Based on previous year's costs.
 - Annual reconciliation.



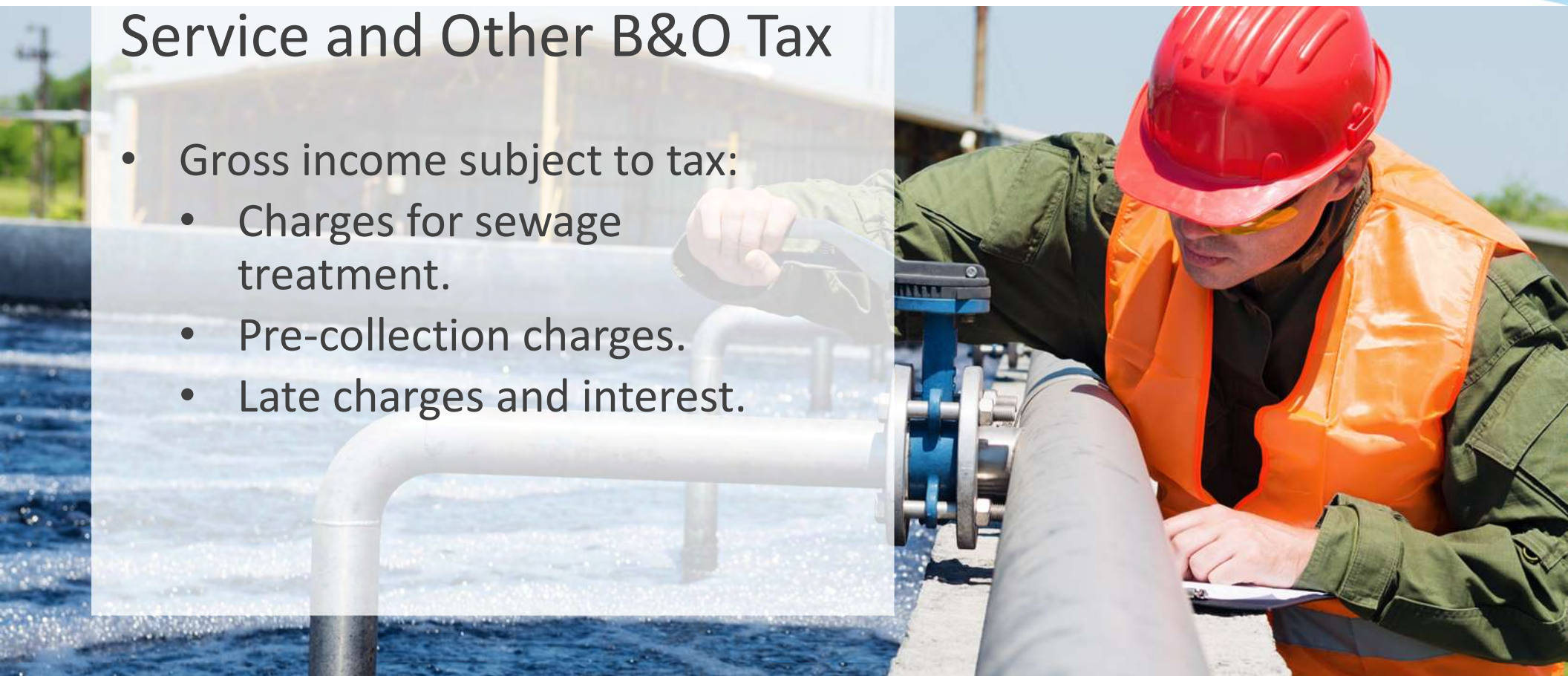
Sewerage Collection Deductions

- Costs paid to others for sewage treatment.
- LID and ULID assessments.
 - Related costs are removed from cost of doing business formula.



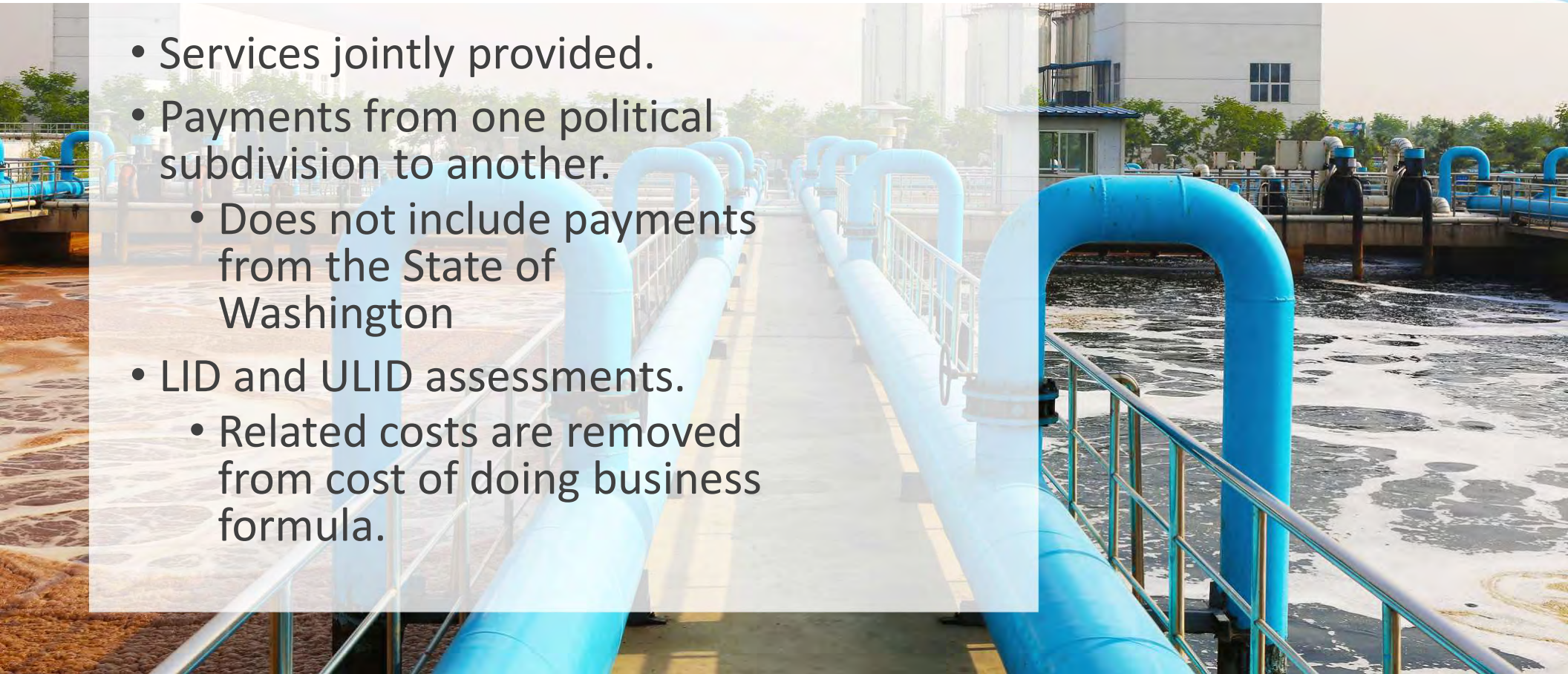
Sewage Treatment – Service and Other B&O Tax

- Gross income subject to tax:
 - Charges for sewage treatment.
 - Pre-collection charges.
 - Late charges and interest.



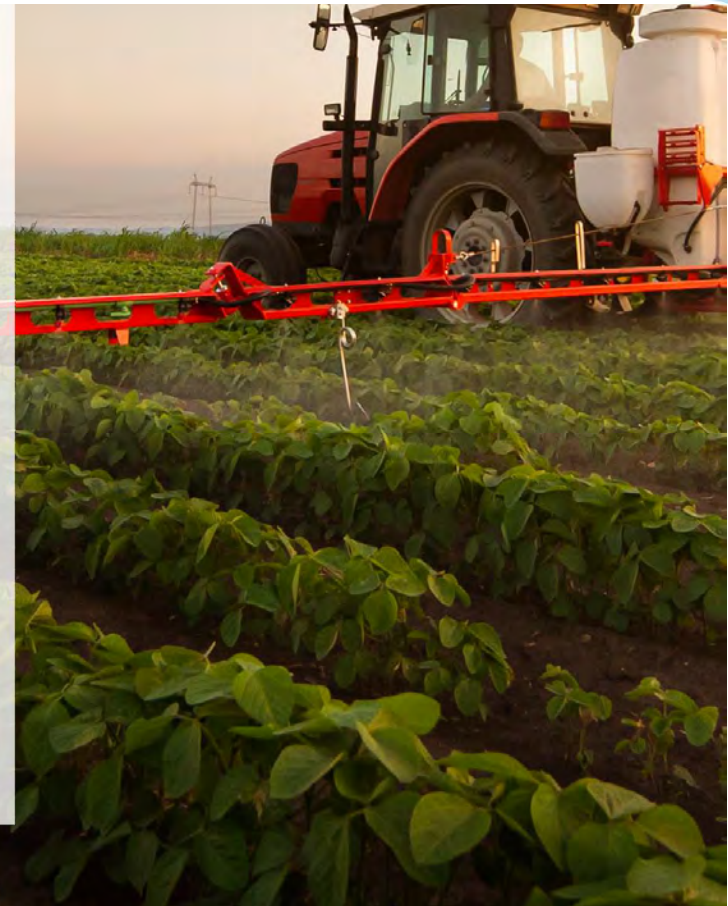
Sewage Treatment – Deductions

- Services jointly provided.
- Payments from one political subdivision to another.
 - Does not include payments from the State of Washington
- LID and ULID assessments.
 - Related costs are removed from cost of doing business formula.



Sales of Sludge

- Manufacturing B&O tax.
- Wholesaling or retailing B&O tax.
- Retail sales tax.
- Multiple Activities Tax Credit.
- Sales/use tax exemption for machinery and equipment.

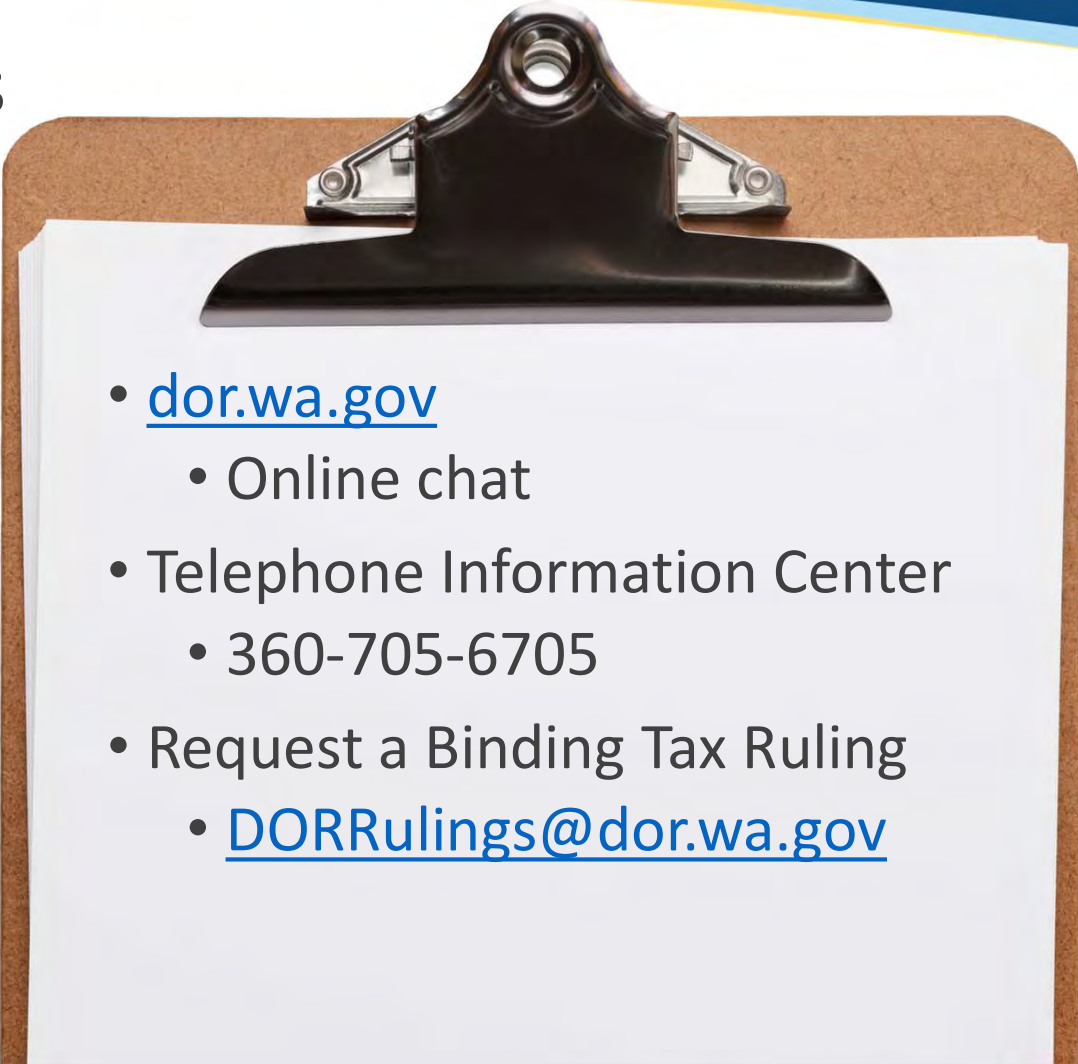


Use Tax

- When sales tax is not paid, use tax is due.
- Value includes delivery and installation costs.
- Rate is based on location of first use in Washington.
- Reported on excise tax return.



Resources

- 
- dor.wa.gov
 - Online chat
 - Telephone Information Center
 - 360-705-6705
 - Request a Binding Tax Ruling
 - DORRulings@dor.wa.gov

Questions

