



**Testimony
David Radka
Connecticut Water Works Association (CWWA)
Before the Finance Committee
Public Hearing
February 9, 2009**

Re: HB-6350, AN ACT ELIMINATING EXEMPTIONS FROM THE SALES AND USE TAX AND LOWERING THE RATE OF SUCH TAX.

CWWA opposes HB-6350, which would repeal the sales tax exemption for the sale of water by private companies as well as the exemption for personal property and services used in maintaining, operating water supply systems.

Repealing the sales exemptions for private water companies would contribute to inequities in the rates customers pay for their water service. Private water companies already have many additional costs that municipal and regional water suppliers do not. Private water companies are subject to the Connecticut Corporation Business Tax, the Federal Income Tax and Local Real Estate and Property Tax paid in all towns where property or facilities are located, which are not applied to municipal or regional water authorities in the same way. According to the Office of Consumer Counsel, these taxes typically represent about 25 cents on the dollar for the private companies, increasing the cost of providing service and, ultimately, resulting in higher rates for customers of private water companies.

Private water companies are also subject to a number of legal and operational precepts that increase the cost of doing business. For example, private water companies are often selected by the Department of Public Utility Control (DPUC) to take over failing water systems, which requires the water company to expend considerable funds to bring the system into compliance with state and federal regulations. Private companies must also pay certain fees to state agencies or local boards and commissions for permits or applications that may not similarly apply to municipal and regional water companies.

As a result, customers of private investor-owned water companies already pay higher rates for water than municipal and regional water customers. Repealing the sales tax exemption for water companies will only exacerbate these inequities, to the detriment of private water customers.

We therefore urge you to reject efforts to repeal this important exemption.

The Connecticut Water Works Association, Inc. (CWWA) is an association of private, regional and municipal water supply utilities serving more than 500,000 customers, or population of about 2½ million people, located throughout Connecticut. As purveyors of public water supplies, our members have an obligation to provide sufficient quantities of high-quality water at a reasonable cost to consumers of the communities served.