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Testimony of Connecticut Water Company
Energy and Technology Committee
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SB 212 AN ACT EXEMPTING WATER COMPANIES FROM THE SALES AND USE TAX

Connecticut Water Company is pleased to provide comments in strong support of **SB 212 AN ACT EXEMPTING WATER COMPANIES FROM THE SALES AND USE TAX**.

As a public water utility, we provide water service to more than 90,000 customers, or approximately 300,000 people in 56 towns in Connecticut. We strive to manage our costs while making investments in our water systems to ensure we provide quality water and service.

While we know it is a difficult time to be asking for tax exemptions, we urge you to support SB 212. This would reinstate the sales tax exemption for purchases of goods and services by private water companies for use in supplying water to consumers that was in effect under Sec 12-412(90) of CGS until last year when it was repealed in the final days of the 2015 session. The exemption had been put in place in 1994 following a Program Review and Investigations Committee study that identified the disparity in taxes imposed on private water companies.

Imposing sales tax on private water companies places a disproportionate burden on our customers, since municipal and regional water utilities are exempt from taxes for the purchase of the exact same goods or services. The additional costs are borne by businesses and residents buying water, which is essential for public health, safety, fire protection, and economic development.

Private water companies already incur many additional costs that municipal and regional water suppliers are not required to pay. Private water companies like other businesses in the state, are subject to the Connecticut Corporation Business Tax (CBT), the 20% surcharge on the CBT, as well as local real estate and property taxes, which are not imposed on municipal or regional water authorities. Many water companies are also impacted by the changes that limited the use of tax credits earned from donations of open space land to local communities.

Further, we would note that water companies still rely on other provisions of the statutes that exempt from sales tax materials, tools and fuel used in the furnishing of power, gas, water, steam or electricity. Prior to the broader exemption for all goods and services in the provision of water being adopted in 1994, there was inconsistency and confusion regarding the interpretation of those exemptions which led to significant review upon audit for the companies.

If water companies will now be relying solely on those exemptions we would suggest that there be further discussion about how we could provide further clarity (either through legislation or administratively) on what is eligible for the exemptions and what is not, as we believe some of the prior positions of DRS and auditors were overly aggressive and not particularly practical. For example, the strict interpretation of goods and materials used directly in the furnishing of water to consumers was taken to mean that water meters, which are used to measure consumption, bill customers, and drive conservation, were not exempt because only a small portion in the center of the meter chamber actually came in direct contact with water. Likewise, the portion of a water storage tank that held the water was considered exempt but the supports for such tank that did not come in direct contact with the water were not – something that is difficult, if not impossible, to separately price and account for. Finally, water pipes that transmit the product have been considered tax exempt but the fill material and paving that are required for the installation of the pipe are not. It is clear that we would all benefit from more clarity and consistency and a practical interpretation of such provisions going forward. We would be happy to work with the Committee, PURA, OCC and DRS on how those things are best treated.

The private water companies have worked hard to leverage changes in federal tax laws to benefit our customers, returning savings to our customers wherever possible to reduce the gap in rates between publics and privates. Repealing the sales tax exemption for water companies will only trigger additional higher rates for the customers of private water companies.

We ask that you please consider reinstating this important exemption and support of SB 212.