



93 West Main Street
Clinton, CT 06413
1-860-664-6055

Testimony of Connecticut Water Company
Finance, Revenue and Bonding Committee
February 24, 2017

SB 273

AN ACT ELIMINATING THE SALES TAX PAID BY CUSTOMERS OF PRIVATE WATER COMPANIES

Connecticut Water Company is pleased to provide comments in **strong support of SB 273 AN ACT ELIMINATING THE SALES TAX PAID BY CUSTOMERS OF PRIVATE WATER COMPANIES.**

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 given the current fiscal climate, we urge you to support SB 273. 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for use in supplying water to consumers that was previously in effect under Sec 12-412(90) of CGS until it was repealed in the final days of the 2015 session.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.

There are currently about 100 towns across the state, with nearly 300,000 water customers in total, that have all or part of their community served by a private water company that are affected by this additional sales tax burden.

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. Vendors are required to charge sales to private water companies but not to our municipal or regional water counterparts for the exact same goods or services.

For our company this has meant over \$350,000 of taxes paid on operating expenses and \$500,000 of added costs for capital projects in 2016. These are dollars that will need to be recovered in customers' rates or could have otherwise been used to support our water quality and operations or increase our investments in infrastructure. The additional costs are borne by businesses and residents buying water, as well as local communities who pay for fire protection, which provides 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.

Further, we would note that water companies are still exempt from sales tax under other provisions of the statutes for purchase of 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. This led to significant review and costs for DRS and the companies during sales tax audits.

It is important that there is clear guidance and direction from DRS or that the broader sales tax exemption is reinstated to avoid the considerable uncertainty and risks for the utilities in the interpretation of the current exemptions.

The private water companies have worked hard to leverage changes in federal tax laws to benefit our customers, returning savings to customers wherever possible to reduce the gap in rates between publics and privates.

Reinstating the sales tax exemption for water companies will help mitigate one of the drivers of the rate differentials for customers of private water companies. ***We ask that you please support SB and provide equity among water companies and their customers by reinstating this important sales tax exemption.***

Service Provided by Connecticut Water in All or Part of the Following Towns

Ashford	Durham	Lebanon	South Windsor
Avon	East Granby	Madison	Stafford
Beacon Falls	East Haddam	Manchester	Stonington
Bethany	East Hampton	Mansfield	Suffield
Bolton	East Windsor	Marlborough	Thomaston
Brooklyn	Ellington	Middlebury	Thompson
Burlington	Enfield	Naugatuck	Tolland
Canton	Essex	Old Lyme	Vernon
Chester	Farmington	Old Saybrook	Voluntown
Clinton	Griswold	Plainfield	Waterbury
Colchester	Guilford	Plymouth	Westbrook
Columbia	Hebron	Portland	Willington
Coventry	Killingly	Prospect	Windsor Locks
Deep River	Killingworth	Somers	Woodstock