

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **SB 12** SLS 182ES 3  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 29, 2018 9:25 AM	<b>Author:</b> PEACOCK
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax Exemption: Water for Residential Use	

TAX/SALES OR DECREASE GF RV See Note Page 1 of 1

Provides a state sales and use tax exemption for water for residential use that is not separately metered. (Item #23) (7/1/18)

Current law provides that water for residential use is constitutionally exempted from state sales and use tax. The exemption includes multi-unit residences, if each of the residences are separately metered.

Proposed law provides that purchases of water for residential use in residences that are not separately metered are excluded from state sales and use tax. Proposed law provides that water in bottles, jugs, or other containers are not eligible for the exclusion.

Effective July 1, 2018.

EXPENDITURES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Current law provides that sales of water for non-residential purposes is taxed at 1% until March 31, 2019, at which point these sales will become fully exempt. Sales of water to apartment buildings and multi-unit residences for residential use are currently exempt from state sales and use tax, but only if separately metered. Purchases that are not separately metered are considered business or commercial purchases of water. Proposed law would extend the exemption for residential use to multi-unit residences that utilize a single meter.

2013 data from the Census Bureau estimates that 18.2% of residential units in the state are a part of a multi-unit structure or organization, but the number of these residences that utilize single metering is unknown. Additionally, testimony on similar bills has reported some single-family structures also utilize single metering, but information regarding these purchases has been unavailable. Thus, the magnitude of the revenue decrease in FY19 is indeterminable.

If proposed legislation during the Second Special Session of 2018 extends the taxation of purchases of nonresidential utilities beyond FY18, proposed law would result in reduced general fund revenues in all years that taxation of nonresidential utilities would be in effect while the purchases targeted by this bill are exempted.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**Gregory V. Albrecht**  
**Chief Economist**