

HOUSE BILL REPORT

HB 2189

As Reported By House Committee On:
Agriculture & Ecology

Title: An act relating to reclaimed water.

Brief Description: Changing provisions relating to reclaimed water.

Sponsors: Representatives Linville, G. Chandler and Lantz.

Brief History:

Committee Activity:

Agriculture & Ecology: 2/22/99, 2/25/99 [DPS].

Brief Summary of Substitute Bill

- Tax incentives are provided to encourage the use of reclaimed water. Income received from supplying reclaimed water is exempt from the public utility tax. The retail sales tax does not apply to machinery, equipment, and labor used for the construction of systems for distribution, transmission, or storage of reclaimed water.

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives G. Chandler, Republican Co-Chair; Linville, Democratic Co-Chair; Cooper, Democratic Vice Chair; Koster, Republican Vice Chair; Anderson; B. Chandler; Delvin; Fortunato; Grant; Schoesler; Sump and Wood.

Staff: Bill Lynch (786-7092).

Background:

A report issued by the Department of Health and the Department of Ecology during the 1998 interim recognized that there is significant potential to develop large sources of reclaimed water in the state. This water may be substituted for potable water in many situations. The report noted that significant amounts of reclaimed water could be

generated within the Puget Sound area but there is a lack of transmission and distribution systems to provide reused water.

Some of the recommendations contained within the report include providing a credit against the state utility tax for water sales of reclaimed water, and exempting the construction of reclaimed water facilities from the retail sales tax.

Summary of Substitute Bill:

Income received for supplying reclaimed water is exempt from the public utility tax when the water is provided by an entity with a permit to generate reclaimed water.

The retail sales tax and the use tax do not apply to the sales of machinery and equipment directly used in transmitting, distributing, or storing reclaimed water. The retail sales tax also does not apply to sales or charges made for labor and services rendered to install the machinery or equipment. "Machinery and equipment" means pipelines, outfalls, conduits, pumping stations, instrumentation and monitoring equipment, structures, machinery, equipment, accessories, and all other construction devices, appurtenances, and facilities used for the primary purpose of conducting reclaimed water from a wastewater treatment facility for a beneficial use, including streamflow augmentation for fish.

Substitute Bill Compared to Original Bill: A use tax is added which parallels the retail sales tax exemption. Reference to the term "beneficial reuse" are deleted from the bill.

Appropriation: None.

Fiscal Note: (Substitute bill) Requested on March 2, 1999.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: (Original bill) The tax incentives will help in the development and use of reclaimed water. The purpose listed for the beneficial reuse of water are a good addition.

Testimony Against: (Original bill) The term beneficial reuse is new, and may cause confusion. Using reclaimed water for streamflow augmentation may not be good for fish.

Testified: (Original bill in support) Doug Levy, city of Everett.

(Original bill with concerns) Steve Wehrly, Muckleshoot Tribe; and Karla Kay Fullerton, Washington Cattlemen's Association.