

Resolution Regarding Contributions in Aid of Construction for Water and Sewer Utilities

WHEREAS, Contributions in Aid of Construction (CIAC) finance substantial amounts of the capital costs for water and sewer utilities; *and*

WHEREAS, State regulatory commissions do not allow CIAC to be included in the investment base upon which the utility is allowed the opportunity to earn a return; *and*

WHEREAS, Regulatory commissions authorize the collection of CIAC to reduce the utility's investment which serves to reduce monthly rates to customers; *and*

WHEREAS, A utility has not been allowed to depreciate CIAC property on its tax return; *and*

WHEREAS, The Tax Reform Act of 1986 treats CIAC funds as income to the utilities; *and*

WHEREAS, Water and sewer utilities are severely impacted by the increased taxation due to the large amounts of CIAC funds they receive; *and*

WHEREAS, The result of the Tax Reform Act of 1986 was to unfairly increase the cost of providing water and sewer utility service to the public; *and*

WHEREAS, On July 24, 1991, the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC) adopted a "Resolution Regarding Contributions in Aid of Construction for Regulated Public Utilities" at its Summer Meeting in San Francisco, California, encouraging and supporting an amendment to the Tax Reform Act of 1986 which would exempt contributions in aid of construction from income taxes utilities; *and*

WHEREAS, No action has yet been taken by Congress to amend the Tax Reform Act of 1986 to exempt CIAC from income taxes; *and*

WHEREAS, H.R. 957 and S. 448 have been introduced in the 104th Congress to exempt from taxation under the Internal Revenue Code of 1986 contributions in aid of construction made to regulated water and sewer utilities; *now, therefore, be it*

RESOLVED, That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1995 Winter Meeting in Washington, D.C., supports the exemption of CIAC funds received by regulated water and sewer utility companies from income tax liability; *and be it further*

RESOLVED, That the NARUC Executive Committee encourages and supports an amendment to the Internal Revenue Code of 1986 which would exempt contributions in aid of construction from income tax for regulated water and sewer utilities.

*Sponsored by the Committee on Water
Adopted March 1, 1995*