

Rule No.15

Main Extension (continued)

E. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES PROVISION

1. Contributions in Aid of Construction and Advances for Construction shall include, but not limited to, cash, services, facilities, labor, property, grants received from government agencies, and income taxes thereon provided by applicant to the utility. The value of all contributions shall be based on the utility's estimates. Contributions shall consist of two components for the purpose of recording transactions as follows: (N)

- (a) Income Tax Component (ITC), and (N)
- (b) The balance of the contributions and advances. (N)

2. The ITC shall be calculated by multiplying the balance of the contribution by the ITC factor of: (N)

<u>Type of Contribution</u>	<u>ITC Factors</u>	(N)
Contributed water and sewer infrastructure (Federal tax exempt; only State taxes are applicable)	9.7%	
Costs for water service connections (Federal and State taxes are applicable)	42.5%	(N)

3. The tax factor is established using Method 2 as set forth in D.87-09-026 in I.86-11-019. (N)

4. This tariff is effective as of January 1, 2021. (N)

SPECIAL CONDITIONS

The ITC factor has been derived from Federal corporate tax rate of 21% and State corporate tax rate of 8.84% and will be in effect until the utility's taxable income changes drastically. When and if that occurs, the utility will file an advice letter showing the new rates and cancel out this sheet. Federal tax gross-ups are not required for contributions and advances used for facilities and received after January 1, 2021. (C)

(D)

(To be inserted by utility)

Advice Letter No. 90-W

Decision No. _____

Issued By

Jennifer Lukins

Manager

(To be inserted by P.U.C.)

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Main Extension (continued)

F. The following paragraph will be added under “Refunds” to each of the Utility’s Main Extension Contract Forms signed after October 9, 1996 in the form section of the Utility’s tariff book. (L)
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(L)

“In the event that the Utility collects a gross-up using an incremental tax rate that is more than its incremental tax rate as determined on a taxable year basis, without consideration of a tax credit or tax loss carry forward, the difference between what was and what should have been collected will be refunded to the Applicant.” (L)
|
(L)

(To be inserted by utility)

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(Continued)

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