

**Municipal Wastewater Gathering
Systems, Distribution Systems and
Treatment Plants**

Sales and Use Tax Guidance for Cities and Contractors

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This document is intended to give a brief explanation of Idaho sales and use taxes related to equipment and materials used in municipal wastewater gathering and distribution systems and treatment plants and will also provide guidance to contractors on taxable and nontaxable components. The guidance applies specifically to wastewater treatment plants owned and operated by government agencies.

Municipal Wastewater Gathering and Distribution Systems

Wastewater gathering and distribution systems are real property improvements and, with the exception of pond liners, are taxable to the contractor installing them. This includes all components that gather or store wastewater before the water enters the wastewater treatment plant, or transport or store the wastewater after it leaves a wastewater treatment plant. Components of wastewater gathering, storage, and distribution systems include but are not limited to:

- Stormwater drains and grates that collect surface water from streets, sidewalks, parks, etc., and direct it to the sewers.
- Manholes and manhole covers that provide access to the sewage system.
- Storage tanks and ponds that are part of the sewage system.
- BUILDING SEWERS, also known as PROPERTY SERVICE CONNECTIONS (PSCs) connect a building's internal wastewater collection system to the municipal sewer system. PSCs can connect to a lateral, main or trunk sewer line.
- LATERAL & BRANCH SEWERS are the upper ends of the municipal sewer system. Laterals dead-end at their upstream end with branch sewers collecting the wastewater from several lateral sewer lines.
- MAIN SEWERS are collectors for numerous lateral and branch sewers from an area of several hundred acres or a specific neighborhood or housing development. They convey the wastewater to larger trunk sewer lines, to lift stations, or to a wastewater treatment plant.
- TRUNK SEWERS serve as the main arteries of the wastewater collection system. They collect and convey the wastewater from numerous main sewer lines either to a wastewater treatment plant or to an interceptor sewer.
- INTERCEPTOR SEWERS receive the wastewater from numerous trunk sewers and convey it to a wastewater treatment plant. These are the largest diameter lines in the sewer system and the furthest downstream in the system.
- LIFT OR PUMP STATIONS are utilized in gravity sewer systems to lift (pump) wastewater to a higher elevation when the route followed by a gravity sewer would require the sewer to be laid at an insufficient slope or at an impractical depth. All components of a lift station, including storage tanks, pumps, controls, and backup generators are integral components of a wastewater gathering system and as such are taxable real property improvements.

Municipal Wastewater Treatment Plants

*This guidance is **not** meant to apply to privately owned wastewater treatment plants.*

IN GENERAL

With the exception of pond liners, materials incorporated into real property in a municipal wastewater treatment plant are taxable to the contractor. However, if the materials aren't incorporated into real property, the sale or purchase of wastewater treatment equipment is exempt when sold to an Idaho municipality (exempt entity under Idaho law). When making sales of wastewater treatment equipment to an Idaho municipality, the contractor/retailer should obtain an Idaho Resale and Exemption Certificate, [Form ST-101](#), from the city. **Identical equipment sold to a privately-owned company treating**

wastewater under a contract with a city or some other entity is taxable. See [Idaho Code section 63-3622X\(3\)\(b\)](#).

WHAT IS TAXABLE IN A CONTRACT TO BUILD A WASTEWATER TREATMENT FACILITY FOR A MUNICIPALITY?

Materials incorporated into real property are used by the contractor and the contractor is responsible for the sales or use tax on the cost of those materials. Materials that retain their identity as tangible personal property are considered to be retail sales to the municipality. As sales to governmental entities are exempt from sales tax, contractors can purchase these items tax exempt from their vendors. The contractor/retailer will need to provide their vendor with a properly-executed Form ST-101 for all equipment purchased for resale to the municipality that owns the wastewater treatment plant.

ARE ANY REAL PROPERTY MATERIALS EXEMPT FROM SALES OR USE TAX?

Asphalt, plastic, or composite pond linings, regardless of whether the liners are intended to become components of any real property or improvements or fixtures thereto, are exempt. All other real property materials are taxable to the contractor. Idaho Code 63-3622X.

WHAT ITEMS ARE CONSIDERED AS REAL PROPERTY IMPROVEMENTS AND ARE TAXABLE IN A WASTEWATER TREATMENT PLANT?

Generally, concrete, rebar, fill dirt, buried pipe, or any item imbedded permanently into concrete or dirt, is considered to be a real property improvement. If concrete must be removed, or dirt excavated, to remove an object, that object is generally considered to be an improvement to realty. In addition, any permanent building or structure, regardless of whether the structure is used to house any aspect of the plant, equipment, or administrative functions, is a real property improvement.

Real property improvements in a wastewater treatment plant include but are not limited to:

- Concrete and rebar.
- Metal imbedded into concrete during the pouring processes.
- Concrete ponds, races, and concrete tanks permanently attached to real property.
- Pipes, steel, or composite tanks and related fittings buried in dirt or concrete in such a way that they can't be removed without destroying the item itself or modifying the land or concrete.
- Floors, walls, ceilings, inside wiring, area lighting, windows, doors, HVAC, catwalks, stairs, floor and ceiling panels or grating, potable water systems, sanitary plumbing, and other components of a building or other structure used to house wastewater treatment equipment or a wastewater treatment facility.
- Electrical generation backup systems that are used to back up the wastewater treatment plant, including outside area lighting; space heating, cooling, and lighting in buildings; security systems, etc., as well as the wastewater treatment equipment in the case of power outages. These large electrical backup systems typically are installed to supply electricity to the whole wastewater treatment plant, and generally tie into the main electrical feed line that comes in from the power company, essentially replacing the main power feed from outside the wastewater treatment plant.

WHAT ITEMS ARE CONSIDERED AS TANGIBLE PERSONAL PROPERTY IN A WASTEWATER TREATMENT PLANT AND ARE NOT TAXABLE WHEN A CONTRACTOR PURCHASES THEM WITH AN ST-101 ON BEHALF OF MUNICIPALITY?

Wastewater treatment plant equipment such as pumps, filters, and similar items which have not been incorporated into the real estate retain their nature as tangible personal property, and as such are sold as retail sales to the city that owns the wastewater treatment plant.

Items generally considered tangible personal property in wastewater treatment plants include, but are not limited to:

- Pumps, valves, pipes, flanges, couplings, fittings and similar equipment and devices that retain their nature as tangible personal property that are designed and installed to treat wastewater or transport wastewater between treatment processes within the municipal wastewater treatment plant.
- Pipes that pass-through walls in a way that the pipe can be removed without damaging the wall. Most modern treatment plants use pass-through technologies when building walls that allow pipe to be installed into the pass-through ports. Usually, a hole somewhat bigger than the pipe, is either a component of the concrete wall or it is cut through the wall after pouring.
- Head-works, grit filter systems, gate valves, etc., that treat the wastewater or transfer the wastewater between cleaning processes.
- Systems used to remove and recycle filtering grit.
- Membrane filtration systems, such as reverse osmosis, hollow fiber, and similar systems.
- Ultraviolet lights used to kill bacteria in wastewater.
- Sludge treatment and dewatering equipment that retain their nature as tangible personal property.
- Aerators, cyclone classifiers, clarifiers, and similar equipment used to remove impurities or inject air into the wastewater. Some types of aerators are free-floating, while others are attached to walls or bolted to the floors of treatment ponds or tanks.
- Steel or composite tanks used in wastewater treatment that are installed in a way that they can be unbolted and moved or removed without destroying the tank. This includes tanks that are used to store or dispense wastewater treatment chemicals as well as those tanks used to store wastewater being treated.
- Electric motors, motor control centers, and related components including wiring that operate exempt waste water treatment equipment..
- Backup generators used only to power specific wastewater treatment equipment in case of power outages or interruptions.
- Process control and monitoring systems including sensors, cameras, monitors, computer equipment, and related components and accessible wiring.

Other Information

This document is not intended to cover all aspects of taxation regarding wastewater gathering systems and treatment plants. For additional help, please contact:

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