

## **RULE 58. Water.**

Sales to consumers of potable water and services related thereto by rural water associations, municipalities, privately owned businesses, stock companies or any other persons are taxable at the regular retail rate of sales tax, except as otherwise provided.

Sales of potable water and services related thereto are exempt when sold for residential, noncommercial or non-agricultural use. In order to qualify for the residential exemption, the water must be sold to, billed to, and paid for by the homeowner or resident of the facility. Residential customers may include, but are not limited to, privately owned hunting and fishing camps, summer homes, cabins, or apartments. Charges billed to a homeowner's association for use in areas such as, but not limited to, swimming pools, clubhouses, sprinkler systems are taxable at the regular retail rate of 7%. Hunting or fishing camps that provide hunts and/or accommodations for a fee are not allowed the residential exemption and are subject to the regular retail rate of 7%. Vacant apartments with water being billed to the apartment complex or manager are not eligible for the residential exemption. Private homes or residences owned by a business or corporation that are used for commercial purposes and that may be used to provide overnight stay on a temporary or transient basis are subject to the regular 7% rate of tax. Such common establishments include bed & breakfast facilities. Any apartment or home that may have mixed usage (residential/commercial) must be taxed at the higher 7% rate unless there is a separate meter for the business (ex. Business shop, poultry farm, commercial barn, repair garage, etc.). This does not include individuals who maintain a home office. The regular retail rate of tax applies to all other sales. The industrial rate does not apply to water sales as in sales of electricity and natural gas.

Sales of appliances and services related to the installation or servicing thereof as well as sales of any other merchandise to residential consumers are taxable at the regular retail rate of tax. This includes accommodation sales and sales to employees.

All receipts from customers, paid in advance or after the fact, including complete grants, which are not refundable or which are not investments in marketable equities are considered to be part of the service rendered by the water utility and are included in gross income and taxable in the class in which they fall. Various income accounts are classified as follows:

### **Taxable:**

Charges for line extension;  
Charges for setting or installing meter;  
Connection charges, including sterilization, inspection fees, tap on fees, etc.;  
Non-refundable membership fees;  
Penalty for late payment - forfeited discounts;  
Plumbing services on customer's property;  
Reconnection charges;  
and Water sales, including fire protection sprinkler charges.

Any of the above charges made to a residential customer are exempt when billed by the utility company. Any charges for the above listed services performed by a plumber are taxable pursuant to Section 27-65-23. Any charges for line extensions or relocations made during construction of a residence when billed to the contractor are taxable at the regular retail rate of tax. Charges for water billed to the contractor for temporary use during construction is also taxable at the regular retail rate of tax.

### **Nontaxable:**

Grants in Aid of Construction (Government, private foundations, or disinterested parties);  
Investment income;  
Meter deposits (refundable);  
Permit charges on plumbing installations;  
Real estate rentals;  
Refundable membership fees;  
Reimbursement for line relocation;  
Sales of potable water for residential use;  
Sales or exchanges of water between public utilities;  
Scrap sales;  
and Sewage charges if separately itemized.

### **Sales to the following are exempt:**

Housing authorities;  
Ice manufacturers for use as an ingredient in the manufacture of ice for sale;

Muscular Dystrophy Association, Inc.;

Qualified nonprofit hospitals, nonprofit private schools, orphanages, old men's or old ladies' homes, YMCA, YWCA, Boys' or Girls' clubs, operated by nonprofit organizations;

Salvation Army;

State of Mississippi, counties, municipalities, departments and institutions; and

U.S. Government departments and institutions.

Distribution of Sales Tax by Cities (Form 72-300) must be completed as a supplement of the sales tax returns by water companies.

Purchases of equipment, chemicals and other supplies by privately owned water systems are taxed at the regular retail rate of sales or use tax except that purchases of chlorine, sodium fluoride or other chemicals which, after being added, will remain in the water to the point of the sale for ultimate use are exempt from sales tax. Purchases of tangible personal property and services which are used in the ordinary and necessary operation of nonprofit water associations or corporations and municipally owned and operated systems are exempt from tax.

All other sales and purchases claimed as exempt must be substantiated by sales invoices or other records approved by the Commissioner.

June 1, 1958	August 1, 1972	July 1, 1980	July 19, 1991
June 1, 1960	April 1, 1973	June 1, 1983	March 1, 2003
July 1, 1964	September 1, 1975	January 1, 1984	
August 1, 1968	August 1, 1978	May 16, 1991	