

WEST BASIN MUNICIPAL WATER DISTRICT

APRIL 12, 2005 - Water Resources
 Little, Dear
APRIL 25, 2005 - Board Meeting
 Prepared by: Van M. Jew
 Submitted by: Paul E. Shoenberger
 Approved by: Richard Nagel

INFORMATION CALENDAR

SALES TAX ON CHEMICAL PURCHASES

SUMMARY:

The District is not required to pay sales tax on most of its chemical purchases. Specifically, chemicals used for the treatment of water that remain as a component of the water when sold, are exempt from sales tax. This finding has been confirmed by Legal Counsel's review of the Sales and Use Tax Law and by the December 23, 2004 correspondence received from the State Board of Equalization (attached Exhibit "A").

The District is sales tax exempt on all its chemical purchases except for antiscalant. The District is considered the end user of antiscalant, as it is not present in our product water. In total, the District purchases eight different chemicals (quicklime, sodium hydroxide, sodium hypochlorite, carbon dioxide, sulfuric acid, ferric chloride, sodium bisulfite, and antiscalant).

Current Status

In order to establish tax exempt status, the District is required to obtain a Seller's Permit and also issue a BOE-230 California Resale Certificate to each of the chemical vendors. This two-step process was completed on February 16, 2005 and the District has since ceased paying sales tax. The District's Seller's Permit number is 100-529039

Recovery of Past Sales Tax

The State Board of Equalization allows recovery of past sales tax paid within the last three tax years. Staff has identified that the recoverable sales tax paid since January 2002 is as follows:

Vendor Name	Total Tax Refund Due
AIRGAS DRY ICE	\$ 26,446.77
BASIC CHEMICAL SOLUTIONS*	\$ 54,928.17
BOC GASES*	\$ 15,882.07
CHEMICAL LIME COMPANY*	\$ 119,450.68
EQUAPAC	\$ 32,140.17
JONES CHEMICALS, INC.	\$ 138,250.96
PIONEER AMERICAS, LLC*	\$ 5,097.91
KEMIRON PACIFIC, INC.*	\$ 71,320.02
Total Sales Tax Refund Due	\$ 463,516.75

* - current vendor

To obtain the sales tax refunds, the vendors are required to show proof to the Board of Equalization that they have refunded the District the money before they receive their refund from the Board. Staff is working with the vendors in this sales tax recovery process.

FISCAL IMPACTS:

The recovery of sales tax is not included in the 2004-05 Budget. Recovered funds can be placed into Designated Funds.

ENVIRONMENTAL COMPLIANCE:

Not required.

COMMITTEE STATUS:

The item was reviewed by the Water Resources Committee on April 12, 2005 and was agendaized to the April 25, 2005 Board meeting as information for discussion.

RECOMMENDED MOTION:

This item is for information only.

EXHIBITS:

Exhibit "A" - Correspondence from the State Board of Equalization

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