



Tax Gross-up Policy for Property Donated or Cash Contributed

As a result of the Tax Cuts and Jobs Act of 2017, the exemption for water and sewer property transferred to a public utility from current year taxation has been removed from the tax code. Contributions in Aid of Construction (CIAC), whether paid in cash or in the form of contributed property, are now immediately taxable to the recipient of these contributions*.

On April 4, 2018, the Public Service Commission of South Carolina, under Docket No. 2017-381-A, approved adding a Tax Multiplier Fee to the CIAC rates (\$300 Connection Fee and \$400 Capacity Fee per SFE) and to contributed property to adjust for this change in the law. Blue Granite Water Company is obligated to collect this liability from developers upon acceptance of any CIAC received, whether cash or donated property.

The Tax Multiplier to be used to increase cash CIAC or donated land payments based on the Act is **33.24%****.

The Tax Multiplier for donated depreciable property (not land), including all water and sewer construction and materials, considers the benefit to the utility of the tax depreciation of the donated property and thus is **18.28%**.

Effective July 1, 2019, the Sewer Tap Fee for Blue Granite Water Company will be as follows:

Blue Granite Water Company: with Tax Multiplier

Connection and Capacity Fee (\$700) = \$ 932.68 per SFE

Contributed Property -- The amount of this fee is calculated as 18.28% (0.1828) times the amount of contributed property.

To calculate the Tax Multiplier for donated property (other than land), simply multiply the transferred amount by 0.1828. This figure assumes a 21% tax rate and a 5% South Carolina state rate. For Example:

Transferred (donated) Property	\$100,000
Multiplier	.1828
Cash Amount Due	\$18,280

* South Carolina does not tax CIAC, property or cash, if received from governmental entities or civic groups. If this is case, the 5% South Carolina State tax rate would be excluded from calculation of tax multipliers.

** The current total statutory income Tax Rate for Blue Granite Water Company is 24.95% based on a federal tax rate of 21% and a South Carolina State tax rate of 5%. The Tax Multiplier is calculated as Multiplier = Tax Rate / (1-Tax Rate) or 33.24%.