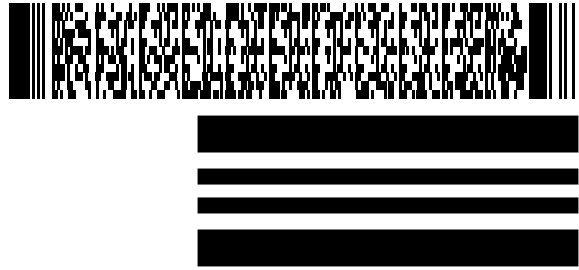




STATE OF WASHINGTON
DEPARTMENT OF REVENUE



NORTH CITY WATER DISTRICT
PO BOX 55367
SHORELINE WA 98155-0367

October 22, 2021
Letter ID: L0017676823
UBI: 604-558-674
Account ID: 604-558-674
Account Type: Excise Tax
Audit ID: A43814
Audit Period: 01/01/18 - 06/30/21

Results of Your Recent Audit
Tax Adjustment: \$0.00

Objective

The objective of this audit is to verify that your Washington State business activities and transactions were properly reported on your Excise Tax returns. The Department of Revenue (Department) administers a number of tax programs that have their own application or tax return. This report is qualified to the extent that the Department reserves the right to verify any other liability within the statute of limitations period.

Various procedures were used to reach conclusions regarding your compliance with reporting requirements. The conclusions reached were based on the auditor's understanding of records provided, explanations furnished, and other observations made.

References

The instructions in this report may address the application of the Revised Code of Washington (RCW), the Washington Administrative Code (WAC), the Washington Tax Decisions (WTD), the Excise Tax Advisories (ETA), and all other stated references. All authoritative references are available at the Department's website at dor.wa.gov.

The following abbreviations may also be used in this report: business and occupation (B&O) tax, public utility tax (PUT), Multiple Activities Tax Credit (MATC), and Small Business Tax Credit (SBC).

Specific Written Instructions

The instructions on the following pages constitute "specific written instructions" within the meaning of RCW 82.32.090. Failure to follow the instructions may subject the taxpayer to an additional 10 percent negligence penalty.

Closing Comments

The audit and adjustments, if any, were discussed with Diane Pottinger, District Manager on October 21, 2021.

Questions?

Kimberlee Taylor, Revenue Auditor (206) 727-5390
Ed Ratcliffe, Field Audit Manager (206) 727-5373

Results of Your Audit

North City Water District Registration Number 604 558 674

Your records have been audited for the period of January 1, 2018 through June 31, 2021.

The audit was conducted at the Department of Revenue field office in Seattle, Washington.

Business Activities

Your business activities in Washington State during the audit period were the public distribution of water services. Your business is domiciled in Washington State and you service East Shoreline and a portion of Lake Forest Park.

Summary of Tax Adjustments

No adjustments have been made for the period audited. Instructions provided are for informational purposes only.

Income Reconciliation

A reconciliation has been made of income taxable under the Water Distribution and Service and Other Activities tax classifications through a comparison of the amounts recorded in the business records with the amounts reported on your excise tax returns.

The taxable differences found are attributed to a clerical error and have been deemed immaterial.

Use Tax/Deferred Sales Tax Verification

Goods and certain services used in this state are subject to either use tax or deferred sales tax when Washington's retail sales tax has not been paid. The tax applies regardless of where, or from whom, the property is purchased.

Examples of transactions where tax would be due are:

- Goods purchased in a state with either no retail sales tax or a retail sales tax rate lower than Washington's.
- Goods purchased from someone not required to collect retail sales tax.
- Goods purchased from out-of-state sellers through the Internet or from a mail order catalog company.
- Personal property that is acquired with the purchase of real property.
- Charges (parts and labor) for repairs performed outside the state on goods that are then shipped back into Washington.
- Property distributed within Washington primarily for promotional purposes.
- Items extracted, produced, or manufactured for commercial or industrial use.
- When a reseller permit or other documentation was provided for a tax exemption and the purchase is later determined to be taxable.

North City Water District Registration Number 604 558 674

The taxable amount for use tax is the value of the goods including freight charges. The use tax rate is based on the location of first use in Washington.

The taxable amount for deferred sales tax is the total purchase price including freight charges. The deferred sales tax rate is based on the location where the goods or services were received.

Amounts subject to either use tax or deferred sales tax are reported under the Use Tax/Deferred Sales tax line on the excise tax return or consumer use tax return.

(WAC 458-20-178, WAC 458-20-102)

We examined purchase invoices from the audit period and found that taxes are being paid as applicable. Please continue to monitor your purchases and pay taxes on consumables and capital assets.

Future Reporting Instructions

Public Utility Tax Deductions

In computing tax, you must report all income then take applicable deductions on the excise tax return. For amounts derived from the distribution of water through an irrigation system, for irrigation purposes other than the irrigation of marijuana as defined under RCW 69.50.101, use deduction line 41-Amounts Derived from Distribution of Water through Irrigation Systems.

(WAC 458-20-179)

More Information

Copies of all authoritative references cited in this report may be downloaded from the Department's website at dor.wa.gov.

Any instructions provided in this report are binding upon both you and the Department under the facts presented. They will remain binding until the facts change; the laws change (either by statute or court decision); the applicable rules change; the Department publicly announces a change upon which a ruling is based; or you are notified in writing that a ruling is no longer valid. Copies of all authoritative references cited in this report may be downloaded from the Department's website at dor.wa.gov.

Administrative Review

For procedures to file a request for an administrative review, refer to the "File and Pay Taxes" section on the Department's website.

Additional information is contained in WAC 458-20-100.

Thank you for your assistance and cooperation.