

Class A → 500,000.4↑
Class B → 250,000 - 500,000
Class C → 50,000 - 250,000
Class D → below 50,000

**Uniform System of Accounts
for
Class A and B
Water Utilities
1973**

(Includes 1976 REVISIONS.)



**NATIONAL ASSOCIATION
OF
REGULATORY UTILITY
COMMISSIONERS**

AC
3.10

municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note. — There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part. (See account 252, Advances for Construction.)

11. ACCUMULATED DEFERRED INCOME TAXES

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income and for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission.

Upon the disposition by sale, exchange, transfer, abandonment, or premature retirement of plant on which there is a related balance in these accounts, the deferred tax account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be charged and account 411 credited with such balance. If after consideration of any related income tax expense, the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note. — Public utilities having more than one utility department and nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to other income and deductions.

281. Accumulated Deferred Income Taxes—Accelerated Amortization.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of accelerated (5-year) amortization of (1) certified defense facilities in computing such taxes, as permitted by Section 168 of the Internal Revenue Code of 1954 and (2) certified pollution control

facilities in computing such taxes, as permitted by Section 169 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes according to the straight line or other nonaccelerated depreciation method and appropriate estimated useful life for such property.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of accelerated instead of nonaccelerated or nonliberalized depreciation resulting in the deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable for the current year of the unavailability or reduced amount of a depreciation deduction for tax purposes with respect to any depreciable property for which accelerated amortization was used in prior years, as compared to the depreciation deduction otherwise available and appropriate for such property, considering its estimated useful life, according to the depreciation method ordinarily used by the utility for similar property in computing depreciation for tax purposes by a nonaccelerated or nonliberalized depreciation method.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the facilities of each certification or amortization for tax purposes.

282. Accumulated Deferred Income Taxes-Liberalized Depreciation.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of liberalized depreciation in computing such taxes, as permitted by Section 167 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes for similar property for the same estimated useful life according to the straight line or other nonliberalized method of depreciation.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of liberalized depreciation for income tax purposes, and deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411, shall, in general, represent the effect on taxes payable for the current year of the smaller amount of depreciation permitted for tax purposes for the current year with respect to any depreciable property for which liberalized depreciation was used in prior years, as compared to the depreciation deduction otherwise appropriate and available for similar property of the same estimated useful life according to the straight line or other nonliberalized depreciation method ordinarily used by the utility in computing depreciation for tax purposes.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the plant additions of each vintage year for each class, group, or unit as to which different liberalized depreciation methods and estimated useful lives have been used. The underlying calculations to segregate and associate deferred tax amounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

283. Accumulated Deferred Income Taxes -- Other.

A. This account, when its use has been authorized by the Commission for specific types of tax deferrals, shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions other than accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account, when its use has been authorized by the Commission, shall be debited and account 411, Income Taxes Deferred in Prior Years -- Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of deferral of taxes on income in previous years, as provided by paragraph A above. Such debit to this account and credit to account 411, shall, in general, represent the effect on taxes payable in the current year of the smaller deduction permitted for tax purposes as compared to the amount recognized in the utility's general accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items, other than accelerated amortization or liberalized depreciation, for which tax deferral accounting by the utility is authorized by the Commission.