



Tap Fees

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](http://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Tap Fees

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Whenever customers request a new service tap for either water or sewer, a tap fee should be required. Sometimes cities charge artificially low tap fees as a means of encouraging new growth. When the tap fee doesn't even cover installation costs the difference must be made up through user charges to all ratepayers.

In establishing tap fees cities should consider that the new customer is connecting to an existing plant system for which they have shared no costs. To this extent tap fees may include more than just the cost to the utility of the physical installation. Several methods of calculating tap fees may be used. Primarily, they will use asset or plant in-service costs being shared by all customers. This cost should be updated from time to time to reflect customer/cost changes. It is not unusual for cities to charge \$1,000 to \$2,000 for tap fees. Although this may seem high, it is relatively low compared to the cost of digging a well or installing a septic tank. City auditors or MTAS finance and accounting personnel can assist in calculating the tap fee.

Tap fees will be recorded as revenues for the system. Tap fees provide an important resource for water and sewer utilities to recover installation costs from customers.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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