



Santa Clara Valley Water District

File No.: 17-0078

Agenda Date: 2/28/2017

Item No.: 7.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Recommended Position on Federal Legislation: HR 448 (Huffman) Water Conservation Rebate Tax Parity Act.

RECOMMENDATION:

Adopt a position of "Support" on: HR 448 (Huffman) Water Conservation Rebate Tax Parity Act.

SUMMARY:

HR 448 (Huffman) Water Conservation Rebate Tax Parity Act

Recommendation: Support

Priority Recommendation: 2

This bill amends the Internal Revenue Code of 1986 to expand the inclusion for certain conservation subsidies to include subsidies for water conservation or efficiency measure and storm water management measures.

Currently, any rebate issued by the Santa Clara Valley Water District (District) or other utilities over the amount of \$600 requires a 1099 Federal tax form be issued to the recipient of that rebate.

This bill clarifies that these rebates are not taxable income, but rather an effort to defray upfront consumer costs for the public benefit.

Summary of key provisions is as follows:

- Modifications to income exclusion for conservation subsidies provided directly or indirectly by a public utility to a customer or by a State or local government to a resident of such State or locality, for the purchase or installation of any water conservation or efficiency measure. As proposed, water conservation and efficiency measures include evaluation of water use, or any installation or modification of property, the primary purpose of which is to reduce consumption of water or to improve the management of water demand with

respect to one or more dwelling units.

- Modifications to income exclusion for conservation subsidies provided (directly or indirectly) by a storm water management provider to a customer, or by a State or local government to a resident of such State or locality, for the purchase or installation of any storm water management measure.
- Amended definitions of Water Conservation or Efficiency Measure and Storm Water Management Measure. As proposed, storm water management measures means any installation or modification of property primarily designed to reduce or manage amounts of storm water with respect to one or more dwelling units
- Amended definitions of Public Utility, Storm Water Management Provider and Person.
- Effective Date shall apply to amounts received after December 31, 2015.

Status

HR 448 was introduced on January 11, 2017 and referred to the House Ways and Means Committee. The Board took a support position on a similar bill that was introduced in the last congressional session by Representative Huffman as HR 4615 - Water Conservation Rebate Tax Act.

Importance to the District

For many years, the Santa Clara Valley Water District has been offering rebates to promote water conservation. Under California income tax statutes, a qualified water use efficiency rebate received from a water agency is excluded from gross income for the purpose of filing state income taxes. However, the Internal Revenue Code does not provide a similar exclusion. HR 448 is intended to provide a similar income tax exclusion for water conservation rebates. Water conservation rebate programs encourage reduced water use and taxing the rebates acts as a disincentive to water conservation efforts.

This bill aligns with the Board's 2017 Legislative Guiding Principles which includes the following statement: "Support tax exempt status for water conservation rebates."

Pros

- Encourages the use of water conservation rebates by not penalizing the recipient with a tax liability on the rebate received.
- Saves the District the expenditures and labor that are required to calculate and send out the 1099 Federal tax forms currently required for any rebates

over \$600.

Cons

- None identified at this time.

FINANCIAL IMPACT:

None.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

None.

UNCLASSIFIED MANAGER:

Rick Callender, 408-630-2017