



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

Office of the General Manager

July 11, 2019

The Honorable Judy Chu  
U.S. House of Representatives  
Committee on Ways and Means  
2423 Rayburn House Office Building  
Washington, DC 20515

**Re: SUPPORT - H.R. 2313 (Huffman): Water Conservation Rebate Tax Parity Act**

Dear Representative Chu:

I am writing on behalf of the Metropolitan Water District of Southern California to express our strong support for H.R. 2313: the Water Conservation Rebate Tax Parity Act. This bill would exclude water conservation and stormwater management rebates from the category of taxable income under Internal Revenue Code Section 136, similar to the exemption already in place for energy conservation rebates.

Metropolitan is the nation's largest regional water wholesaler, delivering clean, safe water to 26 public water agencies which collectively serve nearly 19 million residents within our six-county, 5,200 square mile service area. Conservation is a critical and strategic component of our portfolio approach to water management. During California's record-setting drought, we witnessed and experienced firsthand how utility-sponsored financial incentives, including consumer rebates, are among the most important and cost-effective tools available to water utilities to achieve long-term water use efficiency objectives. Due to existing ambiguity regarding the tax exempt status of subsidies or rebates offered by water utilities for water conservation and stormwater management, recipients of \$600 or more in water and stormwater subsidies or rebates also received a Form 1099 because water agencies are currently required to report the rebate or subsidy as miscellaneous taxable income.

Homeowners and businesses doing the right things should not be penalized.

This bill, if enacted, would provide parity with energy efficiency subsidies and rebates, which have been nontaxable since 1992, and clarity regarding the tax status of water efficiency rebates. By providing that much-needed certainty, a significant consumer disincentive to participate in rebate programs is eliminated, fostering long-term structural reductions in the regional demand for our most precious resource.

Please feel free to reach out to Brad Hiltcher (202-393-4251) in our Washington DC office, if you would like more information or if you have any questions. We stand ready to assist in the passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Kightlinger", is written over a light blue circular stamp that partially overlaps the signature.

Jeffrey Kightlinger  
General Manager

cc: The Honorable Jared Huffman