

**SEC. 90425. MODIFICATIONS TO INCOME EXCLUSION FOR CONSERVATION SUBSIDIES.**

*(a) IN GENERAL.—Section 136(a) is amended—*

*(1) by striking “any subsidy provided” and inserting “any subsidy—*

*“(1) provided”,*

*(2) by striking the period at the end and inserting a comma, and*

*(3) by adding at the end the following new paragraphs:*

*“(2) 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,*

*“(3) 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, or*

*“(4) provided (directly or indirectly) by a State or local government to a resident of such State or locality for the purchase or installation of any wastewater management measure, but only if such measure is with respect to the taxpayer’s principal residence.”.*

*(b) CONFORMING AMENDMENTS.—*

*(1) DEFINITION OF WATER CONSERVATION OR EFFICIENCY MEASURE AND STORM WATER MANAGEMENT*

*MEASURE.—Section 136(c) is amended—*  
*(A) by striking “ENERGY CONSERVATION MEASURE”*  
*in the heading thereof and inserting*  
*“DEFINITIONS”,*  
*(B) by striking “IN GENERAL” in the heading*  
*of paragraph (1) and inserting “ENERGY CONSERVATION*  
*MEASURE”, and*  
*(C) by redesignating paragraph (2) as paragraph*  
*(5) and by inserting after paragraph (1)*  
*the following:*

*“(2) WATER CONSERVATION OR EFFICIENCY*  
*MEASURE.—For purposes of this section, the*  
*term ‘water conservation or efficiency measure’*  
*means any 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.*

*“(3) STORM WATER MANAGEMENT MEASURE.—*  
*For purposes of this section, the term ‘storm*  
*water management measure’ 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.*

*“(4) WASTEWATER MANAGEMENT MEASURE.—*  
*For purposes of this section, the term ‘wastewater*  
*management measure’ means any installation*  
*or modification of property primarily designed*

*to manage wastewater (including septic tanks and cesspools) with respect to one or more dwelling units.”.*

*(2) DEFINITION OF PUBLIC UTILITY.—Section 136(c)(5) (as redesignated by paragraph (1)(C)) is amended by striking subparagraph (B) and inserting the following:*

*“(B) PUBLIC UTILITY.—The term ‘public utility’ means a person engaged in the sale of electricity, natural gas, or water to residential, commercial, or industrial customers for use by such customers.*

*“(C) STORM WATER MANAGEMENT PROVIDER.—The term ‘storm water management provider’*

*means a person engaged in the provision of storm water management measures to the public.*

*“(D) PERSON.—For purposes of subparagraphs (B) and (C), the term ‘person’ includes the Federal Government, a State or local government or any political subdivision thereof, or any instrumentality of any of the foregoing.”.*

*(3) CLERICAL AMENDMENTS.—*

*(A) The heading for section 136 is amended—*

*(i) by inserting “**AND WATER**” after “**ENERGY**”, and*

*(ii) by striking “**PROVIDED BY PUBLIC**”*

**UTILITIES”.**

*(B) The item relating to section 136 in the table of sections of part III of subchapter B of chapter 1 is amended—*

*(i) by inserting “and water” after “energy”, and*

*(ii) by striking “provided by public utilities”.*

*(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after December 31, 2018.*

*(d) NO INFERENCE.—Nothing in this Act or the amendments made by this Act shall be construed to create any inference with respect to the proper tax treatment of any subsidy received directly or indirectly from a public utility, a storm water management provider, or a State or local government for any water conservation measure or storm water management measure before January 1, 2021.*