

DRAFT

Date

The Hon. Ron Wyden  
Chairman  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Chairman Wyden:

The undersigned organizations write to express our strong support for Section 136305 of the *Build Back Better Act*. This provision is based on the Water Conservation Rebate Tax Parity Act (S.2430), and it would end federal taxes on utility rebates provided to homeowners and other property owners who conserve water or improve stormwater or wastewater management. The bill would result in the federal government treating water conservation rebates the same as energy conservation rebates, which were exempted from federal taxes in 1992.

With the current drought already impacting over 90 million people in the U.S., and with water scarcity likely to get worse because of population growth and climate change, there is an urgent need to encourage water efficiency. This threat goes well beyond the arid west. More than thirty states are currently grappling with drought conditions, including states located in the Great Plains, Midwest, Southeast and Mid-Atlantic regions. And scientists warn that most of the country is on pace to experience water shortages if we don't manage water better.

Unfortunately, homeowners are currently taxed on rebates for making water-saving investments, which increases their costs and discourages these improvements. Section 136305 clarifies that these rebates are not taxable income but rather an effort to defray up-front consumer costs for a public benefit.

Thank you again for your leadership on this important issue, and we look forward to working with you to ensure that this provision remains in the final Build Back Better Act text that the President signs into law.

Sincerely,