

(Date to be added when sent)

The Honorable Jason Smith

The Honorable Richard Neal

U.S. House of Representatives

The Honorable Mike Crapo

The Honorable Ron Wyden

U.S. Senate

Via Email

Dear Chair Smith and Ranking Member Neal of the House Ways and Means Committee and Chair Crapo and Ranking Member Wyden of the Senate Finance Committee,

The undersigned organizations write to express our strong support for the Water Conservation Rebate Tax Parity Act of 2025 ([H.R. 1871/S. 857](#)) and for including it in any larger tax legislation considered in 2025. Enacting these provisions offers an opportunity to reduce unnecessary tax burdens and paperwork for citizens and water utilities while promoting critical water efficiency initiatives that communities and their residents voluntarily undertake.

Under current federal tax law, water efficiency rebates—offered by federal, state, and local governments as well as water utilities—are treated as taxable income to the recipient. The administrative demands for communities and water utilities to process these requirements can be substantial. For consumers, the situation is equally challenging. Many are surprised to receive tax forms for rebates that only partially offset the cost of adopting water-efficient improvements. These programs are designed to encourage public benefits, such as sustainable water use and infrastructure resilience, yet the tax treatment undermines their effectiveness and discourages participation.

By aligning the tax treatment of water efficiency rebates with that of energy efficiency rebates, which are already excluded from income, this legislation will eliminate an unnecessary obstacle to achieving greater water conservation. Importantly, the Congressional Budget Office has estimated that making water efficiency rebates tax-free would reduce federal tax collections by less than \$10 million annually—a negligible cost compared to the benefits of increased participation in water-saving programs, reduced administrative work, and enhanced public trust.

We urge you to prioritize the Water Conservation Rebate Tax Parity Act in upcoming tax policy discussions. Simplifying tax compliance and reducing unnecessary burdens for consumers and utilities will promote water efficiency and enhance conservation programs nationwide. For further information, please email Contact@a4we.org

Sincerely,

Alliance for Water Efficiency

Association of Metropolitan Water Agencies

International Association of Plumbing and Mechanical Officials

Plumbing Manufacturers International

WaterNow Alliance