

April 16, 2025

The Honorable Jason Smith
The Honorable Richard Neal
U.S. House of Representatives

The Honorable Mike Crapo
The Honorable Ron Wyden
U.S. Senate

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 or reach out any of our organizations directly.

Sincerely,

Alliance for Water Efficiency
Association of Metropolitan Water Agencies
International Association of Plumbing and Mechanical Officials
Irrigation Association
Plumbing Manufacturers International
WaterNow Alliance

Arizona Municipal Water Users Association (AMWUA)
Association of Water Board Directors-Texas
Bay Area Water Supply and Conservation Agency
California Water Association
California Water Efficiency Partnership
Calleguas Municipal Water District
Cascade Water Alliance
Cavanaugh
Central Utah Water Conservancy District
City of Durham, NC
City of Flagstaff, AZ
City of Hays, KS
City of Mesa, AZ
City of Napa, CA
City of Round Rock, TX
City of Santa Barbara, CA
City of St. George, UT
City of Surprise, AZ
City of Thornton, CO
City of Tucson, AZ
Colorado Springs Utilities
Colorado WaterWise
Eastern Municipal Water District
Foothill Municipal Water District
Fortune Brands Innovations/Moen
Green Builder® Coalition
International Code Council
Ipswich River Watershed Association
JEA
Jordan Valley Water Conservancy District
Liberty Utilities
Long Beach Utilities
Lower Colorado River Authority
Maureen Erbeznik & Associates
Mesa Water District
Moulton Niguel Water District
Municipal Water District of Orange County
National Audubon Society
National League of Cities
Olivenhain Municipal Water District
Pacific Institute
Park West Companies
Plumbing-Heating-Cooling Contractors--National Association
Pluvial Solutions

Rancho California Water District
Regional Water Authority
Regional Water Providers Consortium
Resource Central
RightThere LLC
Sacramento Suburban Water District
San Juan Water District
Santa Clara Valley Water District
Santa Clarita Valley Water Agency (SCV Water)
Sonoma County Water Agency
Soquel Creek Water District
South Tahoe Public Utility District
Suburban Water Systems
Three Valleys Municipal Water District
Turfgrass Water Conservation Alliance
Upper San Gabriel Valley Municipal Water District
Utah Division of Water Resources
Walnut Valley Water District
Washington County Water Conservancy District
Western Municipal Water District
Zone 7 Water Agency

cc: House Ways and Means Committee Staff; Senate Finance Committee Staff