

United States Senate

WASHINGTON, DC 20510

April 7, 2016

The Honorable Mitch McConnell
Senate Majority Leader
S-230 U.S. Capitol
Washington, DC 20510

The Honorable Harry Reid
Senate Minority Leader
S-221 U.S. Capitol
Washington, DC 20510

Dear Majority Leader McConnell and Leader Reid:

We urge you to include a provision in any tax package negotiated to accompany the FAA Reauthorization bill to exclude water conservation and storm water management subsidies from gross income.

We have written to you on this topic before, and as tax season comes to an end, it is more urgent than ever that this issue be addressed. As you know, California and the western states have been facing a severe drought. On January 17, 2014, California Governor Jerry Brown proclaimed a State of Emergency in California and on April 1, 2015, he issued an Executive Order directing the Department of Water Resources to implement an initiative to replace 50 million square feet of lawns and turf with drought tolerant landscapes.

Public utilities offer such programs to promote water conservation and storm water management and to aid homeowners in lawn replacement. This is a critical component of responsible water use and a way for residents to assist in addressing the water crisis.

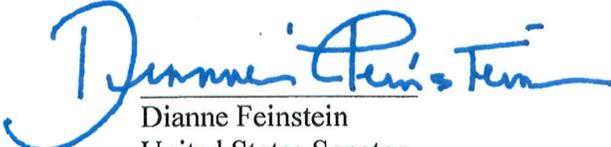
While Section 136 of the Internal Revenue Code exempts energy conservation subsidies from inclusion in gross income, there is no similar explicit exemption for water conservation measures. The lack of clarity around whether or not these subsidies should be taxed creates a distinct disincentive for residents to participate in these critical programs. We believe they are just as valuable as energy conservation programs and should be treated equally, particularly at a time when promoting water conservation is of paramount importance.

This proposal is supported by a significant coalition of organizations and public utilities including the Western Urban Water Coalition, National Association of Water Companies, American Water Works Association, Alliance for Water Efficiency, National Water Resources Association, Western Coalition of Arid States, Natural Resources Defense Council, Association of California Water Agencies, and the U.S. Water Alliance.

We urge you to include the attached amendment in any tax package that will accompany the FAA Reauthorization.

This simple but effective change is crucial to ensuring residents continue participating in water conservation programs that play an important role in responding to the water crisis facing the west. Please ensure it is included. Thank you for your attention to this issue.

Sincerely,



Dianne Feinstein
United States Senator



Barbara Boxer
United States Senator

Cc: Senator Orrin Hatch
Senator Ron Wyden
Senator John Thune
Senator Bill Nelson