



GENERAL MANAGER
Jim Barrett

ASSISTANT GENERAL MANAGER
Robert Cheng

April 2, 2019

The Honorable Chris Holden
California State Assembly
P.O. Box 942849
Sacramento, CA 95814

Re: AB 533 (Holden): Income Tax Exemption for Water Rebates: **SUPPORT**

Dear Assemblymember Holden:

Coachella Valley Water District (CVWD) writes in support of your bill, AB 533, to exclude from gross income, under personal income and corporation tax laws, amounts received as a rebate, voucher, or other financial incentive issued by a local water agency for participation in water efficiency or storm water runoff improvement programs. CVWD was formed in 1918 to protect and conserve local water sources. Since then, the District has grown into a multifaceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional storm water protection, replenishes the groundwater basin and promotes water conservation.

In May 2018, SB 606 (Hertzberg) and AB 1668 (Friedman) were signed into law as part of then-Governor Brown's initiative to make "Water Conservation a California Way of Life" in response to California's longest drought in history. Utility-sponsored financial incentives, including consumer rebates, are among the most important and cost-effective tools available to local water providers to achieve water use efficiency objectives, particularly for turf replacement, irrigation controllers, leak detection devices, and other high cost water-saving options. However, the rebate funds that individuals and businesses receive in connection with these programs may be deemed to be taxable under state law if they are over a certain amount.

The consistent experience of California's water utilities shows that fewer individuals and corporations will avail themselves of financial incentives if they are deemed to be taxable income. If rebates from water efficiency and storm water improvement programs are considered taxable income in California, cities and water agencies are required to send tax documents, i.e. 1099s, to each program participant. This creates an unnecessary administrative burden on water agencies, such as CVWD.

It is well documented that consumer rebates and subsidies substantially increase adoption of water use efficiency and storm water management strategies. Rebates provide a much-needed financial incentive to implement these measures year-round. Your leadership in introducing this vitally important legislation ensuring that rebates, vouchers, and other incentives for turf replacement and storm water programs exempt from state income and corporate tax is applauded. This is a necessary step to incentivize homeowners and businesses to make

important investments in water conservation and storm water capture projects to protect our critical water resources.

Thank you for your consideration of our views on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristen Johnson". The signature is fluid and cursive, with the first name "Kristen" being more prominent than the last name "Johnson".

Kristen Johnson, J.D.
Government Affairs Specialist

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