

December 10, 2021

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

RE: Support for Modifications to Income Exclusion for Conservation Subsidies

Dear Chair Wyden:

As members of WaterNow Alliance and National League of Cities (NLC) we appreciate this opportunity to express our strong support for Section 136305 of the Build Back Better Act (H.R.5376) to eliminate federal barriers to local water use efficiency, stormwater control and other onsite measures that are vital for our communities' health and safety.

WaterNow Alliance is a nonprofit [network of 700+ local water leaders](#) in 43 states nationwide advancing sustainable, affordable, equitable, and climate resilient water strategies. [NLC](#) is the voice of America's cities, towns and villages, representing more than 200 million people nationwide. We commend your leadership on the Build Back Better Act and urge you to retain Section 136305 in the bill's final version. This provision amends the tax code to exclude subsidies for water conservation, stormwater, and wastewater management measures from taxable income. This modest change has an estimated cost of \$48 million over the next decade—a negligible amount compared to the scale of the overall Act. Yet, it will have out-sized benefits.

Utility rebates are among the most cost-effective tools available to water managers to achieve water use efficiency, green infrastructure, onsite reuse, and other sustainable water management objectives. These subsidies provide broad public benefits helping utilities and customers address the growing impacts of climate change, drought, contaminated urban runoff, and flooding. However, taxing rebates designed to achieve vital public objectives is contrary to the public interest. It significantly limits participation by undercutting the incentive for customers to lower their water use or control stormwater or wastewater onsite. It also places a large administrative burden on utilities. Amending the tax code to make these subsidies non-taxable would eliminate these barriers, and put them on par with energy rebates exempted from federal taxes since 1992.

Clarifying that subsidies for measures to reduce water use and/or manage stormwater or wastewater onsite are not taxable income is a critical key to unlocking the enormous potential these strategies have to sustainably manage our water resources now and for future generations. We appreciate your consideration of our comments in strong support of Section 136305.

Sincerely,



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Executive Director
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