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 outsized 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,

Cynthia Koehler  
Executive Director  
WaterNow Alliance  

Clarence E. Anthony  
CEO and Executive Director  
National League of Cities
Michael G. Martin
Lobbyist
League of Oregon Cities, OR

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City of Tigard, OR

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City of Carlton, OR
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<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
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<tr>
<td>David McCall</td>
<td>Mayor</td>
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<td>James Fisler</td>
<td>Director</td>
<td>Mesa Water District, CA</td>
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<td>Mayor</td>
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<td>Chuck Bennett</td>
<td>Mayor</td>
<td>City of Salem, OR</td>
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<td>Daniel Lee</td>
<td>Vice Mayor</td>
<td>Culver City, CA</td>
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<td>Kevin Hartke</td>
<td>Mayor</td>
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<td>Thomas Wong</td>
<td>President</td>
<td>San Gabriel Valley Municipal Water District, CA</td>
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<td>Matt Orlando</td>
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<td>City of Chandler, AZ</td>
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<td>Patricia Showalter</td>
<td>Councilmember</td>
<td>City of Mountain View, CA</td>
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<td>Mila Besich</td>
<td>Mayor</td>
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<td>Richard Gonzales</td>
<td>Water Utility Manager</td>
<td>City of Monterey Park, CA</td>
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<td>Craig McFarland</td>
<td>Mayor</td>
<td>City of Casa Grande, AZ</td>
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<td>Dennis J. Herrera</td>
<td>General Manager</td>
<td>San Francisco Public Utilities Commission, CA</td>
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<td>Kathleen Hedberg</td>
<td>Board Vice President</td>
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<td>Margaret Clark</td>
<td>City council member</td>
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<td>Jon L. Foreman</td>
<td>VP VOMWD Board</td>
<td>Valley of the Moon Water District, CA</td>
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<td>Kathy Besser</td>
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