May 27, 2016

The Honorable Jeff Flake  
Senator - State of Arizona  
413 Russell Senate Office Building  
Washington DC 20510

Re: Water Conservation Rebate Tax Parity

Dear Senator Flake,

Arizona has long been a leader in sound water management and in promoting water conservation and efficiency. The Arizona Municipal Water Users Association (AMWUA)—representing the municipalities of Avondale, Chandler, Gilbert, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, and Tempe—has played a central role in these efforts for more than nearly a half a century. This week, the AMWUA Board of Directors passed the enclosed resolution supporting the exemption of water conservation rebates from taxes. Specifically, the Internal Revenue Service (IRS) taxes on water conservation rebate checks of $600 or more as miscellaneous income.

As water supplies are stressed by ongoing drought, municipalities are expanding efforts to encourage customers to use water more efficiently. Rebate programs play an important role. These rebates are not income, but an effort to defray upfront consumer costs in order to encourage the adoption of water conservation improvements and accelerate market transformation. Taxing rebates creates a disincentive to the public to engage in efforts to manage water more efficiently.

There is an express exemption in the tax code for energy efficiency rebates, but there is no similar provision to exempt water efficiency rebates. Water efficiency rebates are equally as important in preserving our resources and should be treated in the same manner under the tax code.

AMWUA requests that you lend your voice to supporting the exemption of water conservation rebates from taxes. We encourage you to support H.R. 4615, Water Conservation Rebate Tax Parity Act, introduced by Representatives Huffman and Rohrabacher, as well as any other efforts to make this exemption possible.

Thank you for representing Arizona and making water a key priority for our State.

Sincerely,

Warren Tenney  
Executive Director

Enclosure