

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: August 18, 2016

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and  
Neighborhoods Committee

FROM: Sharon M. Tso *Sharon M. Tso* Council File No: 15-0002-S185  
Chief Legislative Analyst Assignment No: 16-06-0480

SUBJECT: Resolution (Fuentes – Blumenfield) to SUPPORT H.R. 4615 (Huffman –  
Rohrabacher) – Federal Tax Exemption for Water Conservation Measures

CLA RECOMMENDATION: Adopt Resolution (Fuentes – Blumenfield) to include in the City's 2015-2016 Federal Legislative Program SUPPORT for H.R. 4615 (Huffman – Rohrabacher) which seeks to provide federal tax exemptions for water conservation efficiency measures.

## SUMMARY:

Resolution (Fuentes – Blumenfield), introduced on June 1, 2016, indicates that more than 80% of California is currently in a severe drought. The Resolution stresses that California is facing significant water challenges, including the deterioration of the Sacramento-San Joaquin River Delta, aging infrastructure and water shortages.

These challenges call for the state to focus on achieving sustainable water use through effective management of groundwater, enhanced water conservation/water reuse, and stormwater management.

Federal law provides tax exemptions for energy conservation rebates and subsidies provided by utilities. However, comparable tax exemptions are not provided for similar water conservation programs. The Resolution contends that the lack of a comparable tax exemptions for water conservation programs discourages program participation.

According to the Resolution, H.R. 4615 seeks to amend existing federal law to provide tax exemptions for water conservation measures; thereby increasing the participation and effectiveness of water conservation programs. This would benefit water conservation programs offered by the Department of Water and Power (DWP). The Resolution therefore requests that the City support H.R. 4615.

BACKGROUND:

The DWP reports that it is currently working to increase the City's water conservation efforts and comply with the state's requirements for water use reduction. The DWP also states that programs that provide customers with rebates for water-saving measures are valuable tools for promoting conservation.

However, under current federal law, if a water rebate exceeds \$500, utilities providing the rebate must issue an Internal Revenue Service Form 1099 to residential customers. This requirement effectively decreases a customer's rebate, discourages program participation, and increases administration cost for utilities like the DWP.

The DWP contends that H.R. 4615 addresses this matter by modifying existing federal law to allow a tax exemption for water conservation measures. As such, the bill would help the City obtain its sustainability and water conservation goals.

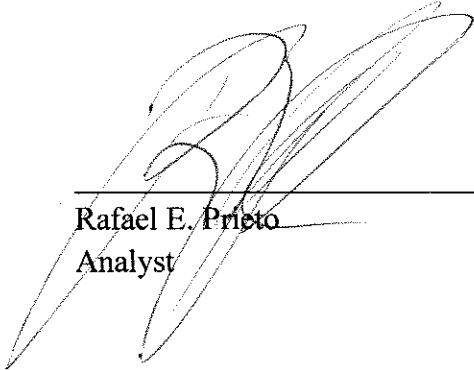
DEPARTMENTS NOTIFIED

Department of Water and Power

BILL STATUS

2/25/2016

Referred to the House Committee on Ways and Means



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Rafael E. Prieto  
Analyst

Attachment: 1. Resolution (Fuentes - Blumenfield)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles (City) with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, more than 80% of California is in a severe drought condition, with 38% of California in an exceptional drought, the highest classification; and

WHEREAS, California is facing some of the most significant water challenges that it has seen in the last half-century, including the deterioration of the Sacramento-San Joaquin River Delta, aging infrastructure, ongoing drought conditions; and significant water shortages; and

WHEREAS, these challenges make it imperative that the State focus on achieving a sustainable water future through effective management of groundwater and surface waters, along with enhanced water conservation, water reuse, and stormwater use; and

WHEREAS, the Los Angeles Department of Water and Power (LADWP) is currently working to comply with City of Los Angeles sustainability goals and State of California requirements for water use reduction; and

WHEREAS, existing law includes federal tax exclusions on energy conservation rebates and subsidies provided by utilities; and

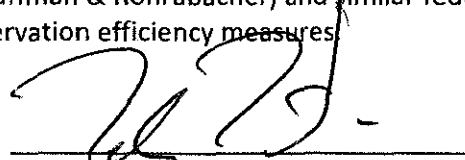
WHEREAS, comparable federal tax exclusions are not extended to water conservation measures provided by water utilities, such as LADWP; and

WHEREAS, the lack of a comparable tax exclusion effectively decreases customer rebates and subsidies, discourages program participation, and increases administration costs; and

WHEREAS, Representative Jared Huffman and Representative Dana Rohrabacher have proposed House of Representatives Bill (HR) 4615, which would amend existing law to allow a tax exemption for water conservation measures, thereby increasing the efficiency and effectiveness of water conservation programs that provide financial incentives, including the programs offered by LADWP;

NOW, THEREFORE, BE IT RESOLVED, that by adoption of this Resolution, with the concurrence of the Mayor, the City of Los Angeles hereby includes in its 2015-2016 Federal Legislative Program, **Support** for HR 4615 (Huffman & Rohrabacher) and similar federal legislation that provides a federal tax exemption for water conservation efficiency measures.

PRESENTED BY:



FELIPE FUENTES  
Councilmember, 7<sup>th</sup> District

SECONDED BY:

