

Taxation of Conservation Incentives

Western Coalition of Arid States
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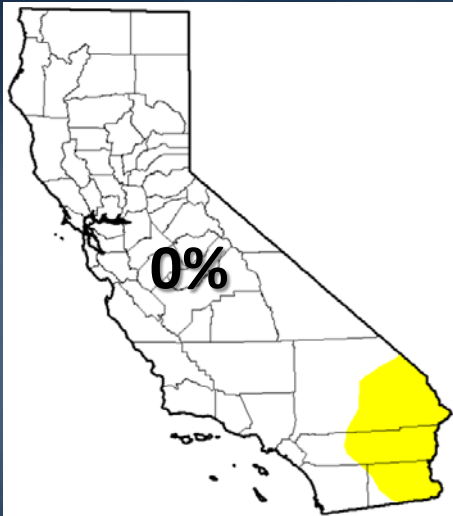
Metropolitan's Imported Water Supplies



Drought Conditions Leading to 2016

Extreme and Exceptional Intensity Percentage

OCT 2011



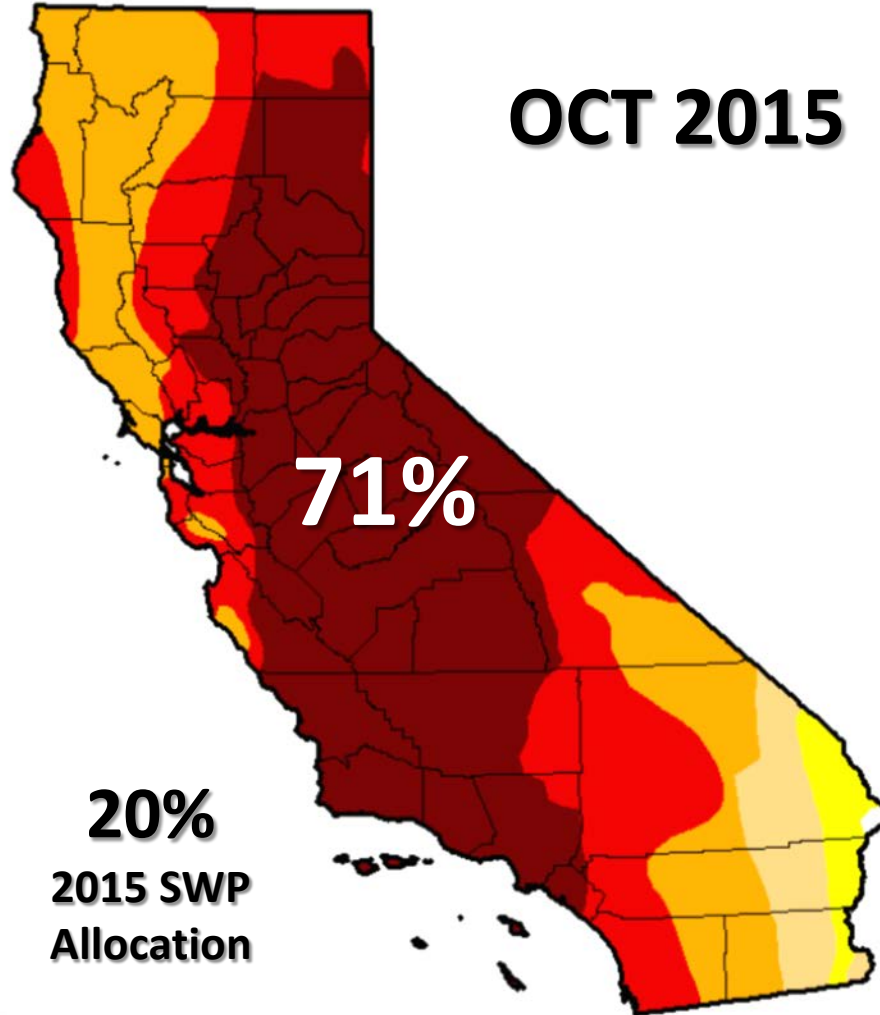
None

Abnormal

80%

2011 SWP
Allocation

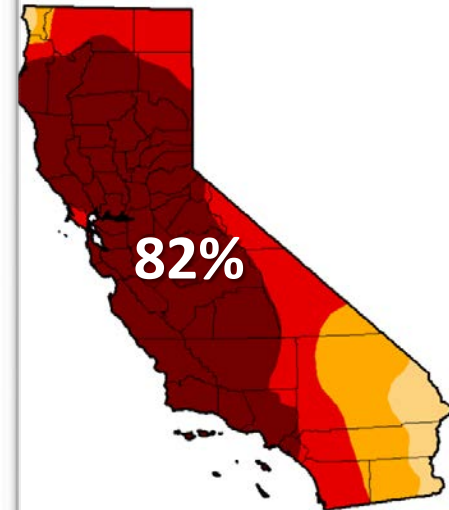
OCT 2015



20%

2015 SWP
Allocation

OCT 2014



Exceptional

Exceptional

5%

2014 SWP
Allocation

View of Snowpack From the Ground



April 1, 2010
Normal Snowpack

April 1, 2015
5% of Normal Snowpack



Lake Oroville (2010 vs 2015)



Lake Mead



Metropolitan's Board Takes Action



**~25%
Reduction
in Member
Agency
Deliveries**

Conservation Budget Increased to:

\$ 450 M

Largest Conservation Program in the Nation

Metropolitan's Biennial Conservation Budget Increases 15 Times



Lifetime Water Savings FY14/15

Residential

12.8 Billion
Gallons



Rebates for these devices
are not larger than \$600
per rebate

40,000 units

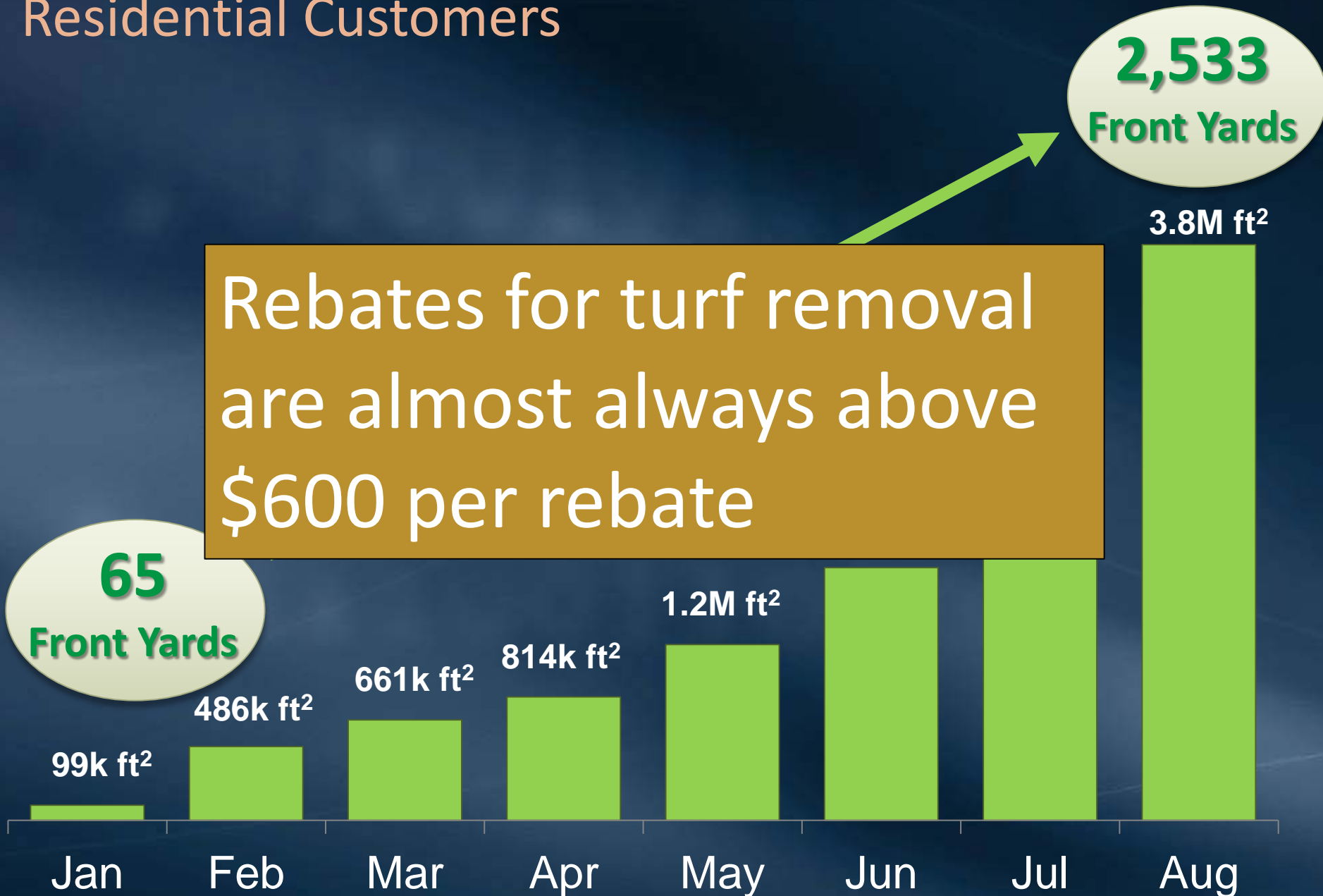


5,000 units

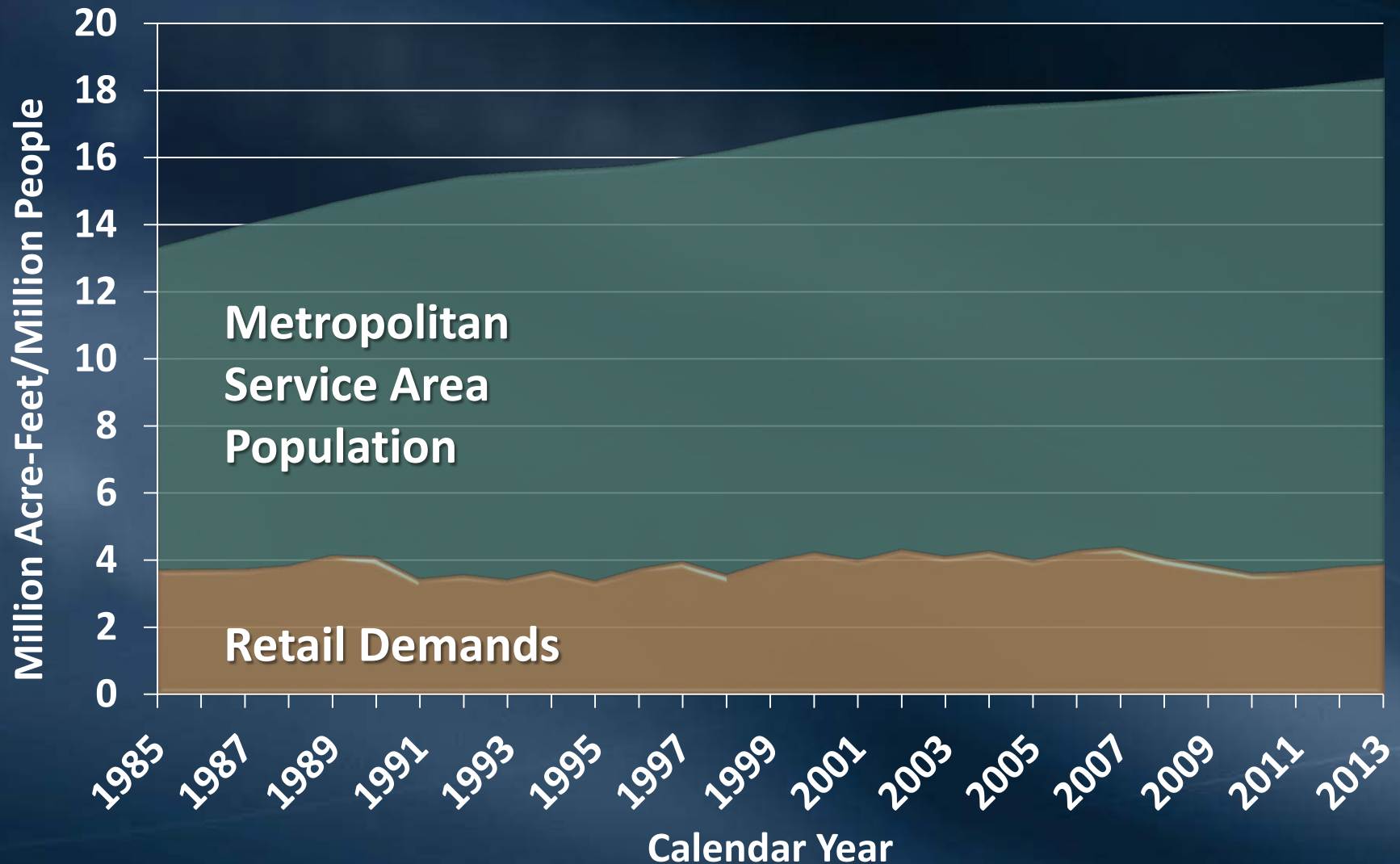
Interest In Turf Removal Skyrockets

Residential Customers

Rebates for turf removal
are almost always above
\$600 per rebate

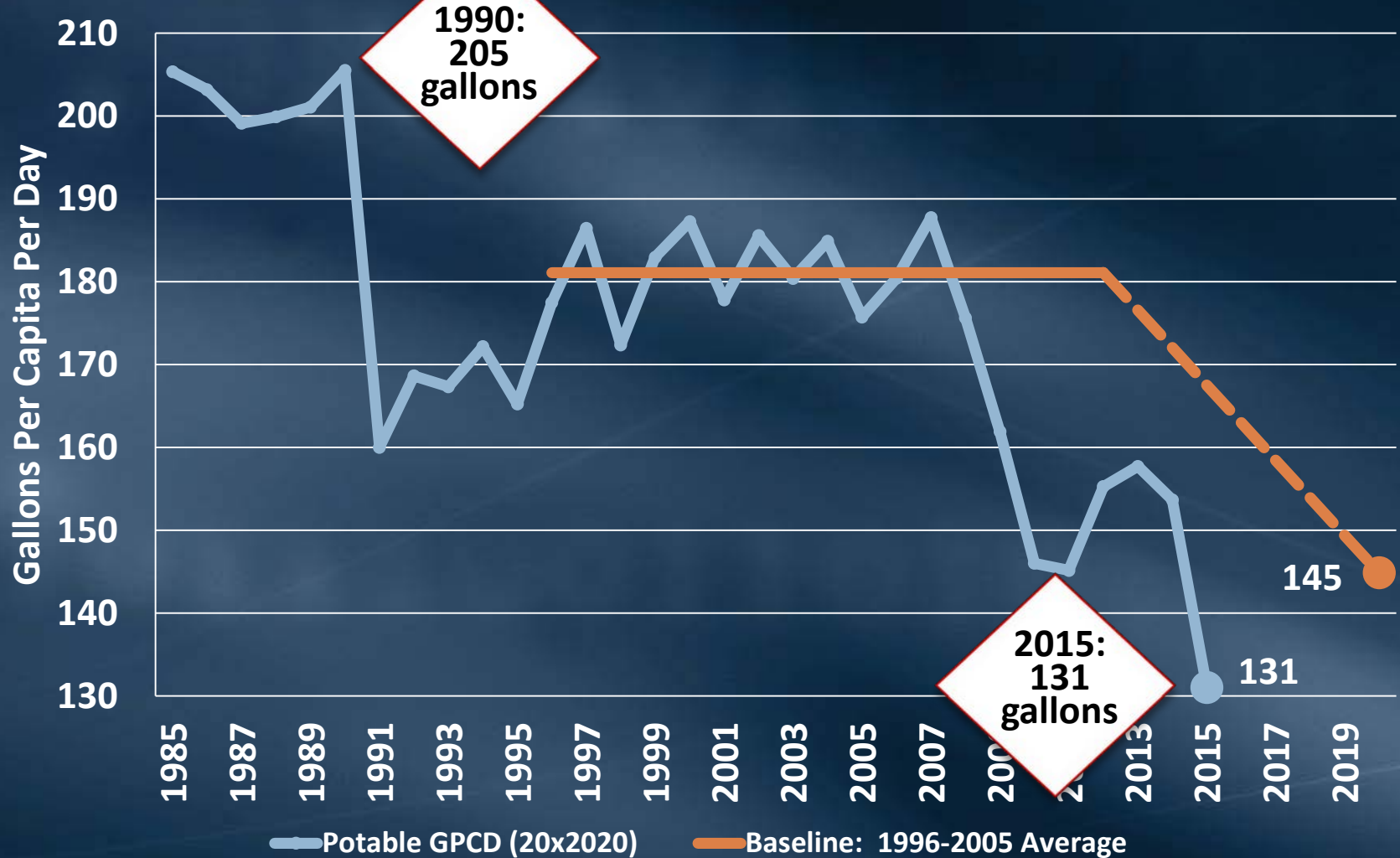


Demands Remain Flat Even As Population Grew By 5 Million



Exceeding Our Water Savings Goals

Daily Potable Water Consumption (average/per person)



Federal Tax Code Works Against Conservation Incentives

- Residential rebates above \$600 must be reported as income
- Agencies that provide these rebates are advised to provide 1099's to rebate recipients
 - Only if rebate was above \$600

This Issue Affects Water Utilities Throughout The Nation

- Alliance for Water Efficiency conducted a national survey of water agencies and utilities
- 87% of the utilities provide some form of rebates to customers for water conservation/efficiency
- 44% of respondents had issued residential rebates above the \$600 threshold

How Does This Impact Water Utilities?

- It increases the cost to get people to take action
 - Example: feedback from turf removal respondents
- Sends the wrong message to consumers
 - An agency is incentivizing conservation while the federal gov. is taxing the same action
- Conflicts with federal energy policies
 - Rebates for energy efficiency/conservation are exempt

Exemption For Energy Efficiency Rebates

- Energy Policy Act of 1992
 - Specifically exempted energy conservation rebates
 - Section 136 of federal tax code
- Water conservation rebates should be treated in the same way
 - Federal dialogue on water and energy policy sets out clear links between water and energy

What Can Be Done Now?

- Adopt a resolution in support of this effort
- Support a moratorium on the taxation of water conservation rebates
 - Request for moratorium has been submitted to Secretary of Treasury, Jacob Lew
 - Letter was signed by 7 U.S. Senators
- Support legislation that would add “water” to Section 136 of federal tax code
 - HR 4615, the Water Conservation Tax Parity Act has been introduced
 - A similar approach in the Senate is in the works



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