

AMI BERA, M.D.

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Congress of the United States  
House of Representatives

January 26, 2016

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The Honorable John Koskinen  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, DC 20224

Dear Commissioner Koskinen,

As tax season begins, I write on behalf of my constituents to seek clarification on federal tax treatment of California water conservation rebates. Thousands of California families that took the initiative to conserve water are receiving tax forms notifying them of additional taxes they must pay on the money received from the state. I urge you to use existing authority to issue immediate clarification for the thousands of California families now facing unexpected tax liability.

Outdoor landscaping is the largest source of water use for most California homes. In an effort to reduce water use, Governor Brown issued an executive order that included a directive to replace 50 million square feet of turf with more drought tolerant landscapes. To help families meet this goal, the California Department of Water Resources (DWR) provided rebates to eligible consumers who replaced turf. An estimated 2,000 homes took advantage of this opportunity. Much like existing energy efficiency rebates, this program reduced the total cost of replacement to incentivize conservation.

Therefore, much like existing exemptions for rebates related to energy efficiency, these new rebates to incentivize water efficiency should also be exempt. It is clear that this money is not income. The maximum rebate consumers are eligible to receive from DWR is \$2,000. By offsetting a portion of costs this program sought to make conservation accessible for all families, not just those who can afford it.

Tax season is underway but it remains unclear if the rebates are taxable. I want to ensure Californians who took initiative to conserve water in the midst of our state's serious drought are not penalized for doing the right thing. I urge you to issue clarification that California water conservation rebates are not subject to taxation. Thank you for your prompt attention to this issue.

Sincerely,

A handwritten signature in blue ink that reads "Ami Bera".

Ami Bera, M.D.  
Member of Congress