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(Original Signature of Member)

118TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to expand the exclusion for certain conservation subsidies to include subsidies for water conservation or efficiency measures, storm water management measures, and wastewater management measures.

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IN THE HOUSE OF REPRESENTATIVES

Mr. HUFFMAN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to expand the exclusion for certain conservation subsidies to include subsidies for water conservation or efficiency measures, storm water management measures, and wastewater management measures.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Water Conservation  
5 Rebate Tax Parity Act”.

1 **SEC. 2. MODIFICATIONS TO INCOME EXCLUSION FOR CON-**  
2 **SERVATION SUBSIDIES.**

3 (a) IN GENERAL.—Subsection (a) of section 136 of  
4 the Internal Revenue Code of 1986 is amended—

5 (1) by striking “any subsidy provided” and in-  
6 serting “any subsidy—

7 “(1) provided”,

8 (2) by striking the period at the end and insert-  
9 ing a comma, and

10 (3) by adding at the end the following new  
11 paragraphs:

12 “(2) provided (directly or indirectly) by a public  
13 utility to a customer, or by a State or local govern-  
14 ment to a resident of such State or locality, for the  
15 purchase or installation of any water conservation or  
16 efficiency measure,

17 “(3) provided (directly or indirectly) by a storm  
18 water management provider to a customer, or by a  
19 State or local government to a resident of such State  
20 or locality, for the purchase or installation of any  
21 storm water management measure, or

22 “(4) provided (directly or indirectly) by a State  
23 or local government to a resident of such State or  
24 locality for the purchase or installation of any waste-  
25 water management measure, but only if such meas-

1       ure is with respect to the taxpayer’s principal resi-  
2       dence.”.

3       (b) CONFORMING AMENDMENTS.—

4             (1) DEFINITION OF WATER CONSERVATION OR  
5       EFFICIENCY MEASURE AND STORM WATER MANAGE-  
6       MENT MEASURE.—Section 136(c) of the Internal  
7       Revenue Code of 1986 is amended—

8             (A) by striking “ENERGY CONSERVATION  
9       MEASURE” in the heading thereof and inserting  
10       “DEFINITIONS”,

11            (B) by striking “IN GENERAL” in the  
12       heading of paragraph (1) and inserting “EN-  
13       ERGY CONSERVATION MEASURE”, and

14            (C) by redesignating paragraph (2) as  
15       paragraph (5) and by inserting after paragraph  
16       (1) the following:

17            “(2) WATER CONSERVATION OR EFFICIENCY  
18       MEASURE.—For purposes of this section, the term  
19       ‘water conservation or efficiency measure’ means any  
20       evaluation of water use, or any installation or modi-  
21       fication of property, the primary purpose of which is  
22       to reduce consumption of water or to improve the  
23       management of water demand with respect to one or  
24       more dwelling units.

1           “(3) STORM WATER MANAGEMENT MEASURE.—  
2           For purposes of this section, the term ‘storm water  
3           management measure’ means any installation or  
4           modification of property primarily designed to re-  
5           duce or manage amounts of storm water with re-  
6           spect to one or more dwelling units, including an in-  
7           stallation or modification to prevent or reduce the  
8           impacts of storm water-caused flooding to such  
9           property.

10           “(4) WASTEWATER MANAGEMENT MEASURE.—  
11           For purposes of this section, the term ‘wastewater  
12           management measure’ means any installation or  
13           modification of property primarily designed to man-  
14           age wastewater (including septic tanks and cess-  
15           pools) with respect to one or more dwelling units.”.

16           (2) DEFINITION OF PUBLIC UTILITY.—Section  
17           136(c)(5) of such Code (as redesignated by para-  
18           graph (1)(C)) is amended by striking subparagraph  
19           (B) and inserting the following:

20           “(B) PUBLIC UTILITY.—The term ‘public  
21           utility’ means a person engaged in the sale of  
22           electricity, natural gas, or water to residential,  
23           commercial, or industrial customers for use by  
24           such customers.

1           “(C) STORM WATER MANAGEMENT PRO-  
2           VIDER.—The term ‘storm water management  
3           provider’ means a person engaged in the provi-  
4           sion of storm water management measures to  
5           the public.

6           “(D) PERSON.—For purposes of subpara-  
7           graphs (B) and (C), the term ‘person’ includes  
8           the Federal Government, a State or local gov-  
9           ernment or any political subdivision thereof, or  
10          any instrumentality of any of the foregoing.”.

11          (3) CLERICAL AMENDMENTS.—

12           (A) The heading of section 136 of such  
13          Code is amended—

14                   (i) by inserting “**AND WATER**” after  
15                   “**ENERGY**”, and

16                   (ii) by striking “**PROVIDED BY PUB-  
17                   LIC UTILITIES**”.

18           (B) The item relating to section 136 in the  
19          table of sections of part III of subchapter B of  
20          chapter 1 of such Code is amended—

21                   (i) by inserting “and water” after  
22                   “energy”, and

23                   (ii) by striking “provided by public  
24                   utilities”.

1           (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to amounts received after Decem-  
3 ber 31, 2021.

4           (d) NO INFERENCE.—Nothing in this Act or the  
5 amendments made by this Act shall be construed to create  
6 any inference with respect to the proper tax treatment of  
7 any subsidy received directly or indirectly from a public  
8 utility, a storm water management provider, or a State  
9 or local government for any water conservation or effi-  
10 ciency measure, storm water management measure, or  
11 wastewater management measure before January 1,  
12 2022.