

Water Conservation Rebates and Taxes

Thank you for conserving Southern California – it is making a difference in this historic drought.

Thousands of homeowners and business owners chose to take action in 2015 to reduce their water use, including removing their lawns and installing California Friendly® landscapes that use less water. We applaud your efforts and are pleased that we could help by providing \$450 million in rebates for turf removal and other water conserving projects.

Water conservation rebates are not taxable by the State of California. Unfortunately, the U.S. tax code is not clear on whether water conservation rebates are considered taxable federal income. Metropolitan has determined that we must issue 1099-MISC forms to those who received a rebate of \$600 or more in 2015. If you have not done so already, we request that you submit a federal [W-9 form](#) to [SoCalWaterSmart](#) for this purpose. Recipients can consult with their tax advisor regarding the rebate.

Under current federal law, energy efficiency rebates are not considered taxable income. Metropolitan and its member agencies believe that water conservation is as important as energy efficiency. Rebate recipients should have the full benefit of their rebate to help reduce the cost of changing equipment, fixtures, or landscapes to save water. We are working with federal legislators and water agencies across the U.S. to change the federal tax code to clarify that water conservation rebates are exempt. This change is not an easy task and may not happen quickly, but we will continue to work on this important issue for the benefit of our ratepayers.

If you would like to learn more about this issue, please visit the website for the [Alliance for Water Efficiency](#).