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AB-2142 Income taxes: exclusion: turf replacement water conservation program. (2021-2022)

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AMENDED IN ASSEMBLY APRIL 06, 2022

CALIFORNIA LEGISLATURE— 2021–2022 REGULAR SESSION

ASSEMBLY BILL

NO. 2142

Introduced by Assembly Member Gabriel

February 15, 2022

An act to add and repeal Sections 17138.2 and 24308.9 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2142, as amended, Gabriel. Income taxes: exclusion: turf replacement water conservation program.

The Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income. Existing law provides an exclusion from gross income for any amount received as a rebate or voucher from a local water or energy agency or supplier for the purchase or installation of a water conservation water closet, energy efficient clothes washers, and plumbing devices, as specified.

This bill would, for taxable years beginning on or after January 1, 2022, and before January 1, 2027, under both of these laws, provide an exclusion from gross income for any amount received as a rebate, voucher, or other financial incentive issued by a ~~local water agency or supplier~~ *public water system, as defined, local government, or state agency* for participation in a turf replacement water conservation program.

Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements. ~~Existing law limits the collection and use of taxpayer information and makes any unauthorized use of this information a misdemeanor.~~

This bill would *include additional information required for any bill authorizing a new tax expenditure, and would* require the Department of Finance to include an analysis of these expenditures in its annual tax expenditure report provided to the ~~Legislature and further provides that taxpayer information collected pursuant to this requirement is subject to the limitation on the collection and use of that information. By expanding the scope of a crime, this bill would impose a state-mandated local program.~~ *Legislature.*

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.~~

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: ~~yes~~no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17138.2 is added to the Revenue and Taxation Code, to read:

17138.2. (a) For taxable years beginning on or after January 1, 2022, and before January 1, 2027, gross income does not include any amount received as a rebate, voucher, or other financial incentive issued by a ~~local water agency or supplier~~ *public water system, local government, or state agency* for participation in a turf replacement water conservation program.

(b) For the purposes of this section, "public water system" shall have the same meaning as in Section 116275 of the Health and Safety Code.

~~(b)~~

(c) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 2. Section 24308.9 is added to the Revenue and Taxation Code, to read:

24308.9. (a) For taxable years beginning on or after January 1, 2022, and before January 1, 2027, gross income does not include any amount received as a rebate, voucher, or other financial incentive issued by a ~~local water agency or supplier~~ *public water system, local government, or state agency* for participation in a turf replacement water conservation program.

(b) For the purposes of this section, "public water system" shall have the same meaning as in Section 116275 of the Health and Safety Code.

~~(b)~~

(c) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 3. ~~(a) The~~ *For the purpose of complying with Section 41 of the Revenue and Taxation Code, with respect to Sections 17138.2 and 24308.9 of the Revenue and Taxation Code, as added by this act, the* Legislature finds and declares all of the following:

(a) The specific goals, purposes, and objectives that the exclusion will achieve are as follows:

(1) ~~Utility-sponsored~~ *Public water system* financial incentives, including consumer rebates, are among the most important and cost-effective tools available to local water providers to achieve water use efficiency objectives, particularly for turf replacement, irrigation controllers, leak detection devices, and other high-cost water saving options. ~~Local public utilities are using incentive programs to encourage local property owners to manage storm water onsite, thus reducing urban flooding, improving water quality, and increasing water supplies.~~

(2) Rebates, vouchers, or other financial incentives issued by ~~local water agencies or suppliers~~ *public water systems* have been an effective tool in advancing efficiency and water management objectives statewide, and individual consumers and businesses should not be taxed for providing this statewide benefit.

(3) Financial incentives issued by ~~a local water agency or supplier~~ *public water systems* as part of a water conservation or efficiency program, the primary purpose of which is to reduce consumption of water or to improve the management of water demand, provide a significant public benefit. ~~Financial incentives issued by a local water agency or supplier as part of a water runoff management improvement program, the primary~~

~~purpose of which is to reduce the amount or manage the quality of storm water runoff, provide a significant public benefit.~~

(4) The income tax exclusions allowed by Sections 17138.2 and 24308.9 of the Revenue and Taxation Code, as added by this act, have the objective of eliminating disincentives to participation in water conservation or efficiency ~~and storm water runoff management~~ improvement programs aimed at increasing water conservation or efficiency ~~or improving storm water quality~~ in California.

(b) (1) To enable the Legislature to determine whether the tax expenditures allowed by this act are meeting, failing to meet, or exceeding the objective of the act, the Department of Finance shall include an analysis of these tax expenditures in the annual report required pursuant to Section 13305 of the Government Code.

~~(2) Taxpayer information collected pursuant to this subdivision is subject to Section 19542 of the Revenue and Taxation Code.~~

(2) The disclosure provisions of this paragraph shall be treated as an exception to Section 19542 under Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2 of Division 2 of the Revenue and Taxation Code.

~~SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.~~

SEC. 5. ~~SEC. 4.~~ This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.