



May 7, 2019

The Honorable Lorena Gonzalez
California State Assembly
State Capitol, Room 2114
Sacramento, CA 95814

Re: AB 533 (Holden) - **SUPPORT**
Income Taxes: Exclusion: Turf Removal Water Conservation Programs
Assembly Appropriations Committee Suspense File

Dear Chair Gonzalez:

We are writing to express our strong support for AB 533 (Holden) to exclude from gross income, under both personal income tax and corporation tax laws, amounts received from any rebate, voucher, or other financial incentive issued by a local water agency for participation in a turf removal water conservation programs. We respectfully request your favorable vote when AB 533 (Holden) is considered by your committee.

In May 2018, SB 606 (Hertzberg) and AB 1668 (Friedman) were signed into law as part of then-Governor Brown’s initiative to make “Water Conservation a California Way of Life” in response to California’s longest drought in history. Utility-sponsored 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 and other high cost water-saving options. However, over a certain amount, the rebate funds that individuals and businesses receive in connection with these programs may be deemed to be taxable under state law.

It is well documented that consumer turf replacement rebates statewide provide a much-needed incentive to lower water consumption on a long-term basis regardless of fluctuating water supply conditions. Further, rebate programs not only allow public utilities to save money while building resilience to drought and climate change, they can also stimulate local economies and have a profound collective impact upon environmental and energy sustainability. Potentially taxing turf rebates would be a major disincentive to program participation. Lastly, because AB 533 (Holden) is an exemption from gross income, and not a tax credit, and applies only to rebates over a certain amount, the costs of the bill are minor and absorbable.

We appreciate your consideration of our views on this vitally important legislation ensuring that rebates, vouchers, and other incentives for turf replacement programs are exempt from state income and corporate tax.

Sincerely,

Matt O’Malley <i>Executive Director</i> San Diego Coastkeeper	Sean Bothwell <i>Executive Director</i> California Coastkeeper Alliance	Bruce Reznik <i>Executive Director</i> LA Waterkeeper	Marco Gonzalez <i>Executive Director</i> Coastal Environmental Rights Foundation
Melanie Winter <i>Founder & Director</i> The River Project	Deborah Bloome <i>Senior Director of Policy and Research</i> TreePeople	Tracy Quinn <i>Director, Water Conservation and Efficiency</i> Natural Resources Defense Council	Sejal Choksi-Chugh <i>Executive Director</i> San Francisco Baykeeper
Jenny Hoffner <i>Vice President for Conservation Strategies</i> American Rivers	Paloma Aguirre, MMBC <i>Coastal and Marine Director</i> WILDCOAST	Mara Dias <i>Water Quality Manager</i> Surfrider Foundation	Annelisa Ehret Moe <i>Water Quality Scientist</i> Heal the Bay

Garry Brown
Executive Director
**Orange County
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Garry Brown
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**Inland Empire
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Garry Brown
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**Coachella Valley
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Steven Williams
*Chair, Ocean Friendly
Gardens Program*
**Surfrider Foundation
LA Chapter**

cc: Assembly Member Chris Holden
Members of the Assembly Appropriations Committee
Luke Reidenbach, Principal Consultant, Assembly Appropriations Committee
Ellen Cesaretti, Fiscal Consultant, Assembly Republican Caucus