

ASSEMBLY BILL

No. 2040

Introduced by Assembly Member Melendez

February 17, 2016

An act to add and repeal Section 17053.37 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2040, as introduced, Melendez. Outdoor Water Efficiency Act of 2016: personal income tax credits: outdoor water efficiency.

The Personal Income Tax Law allows various credits against the taxes imposed by that law.

This bill, for taxable years beginning on or after January 1, 2017, and before January 1, 2022, would allow a credit equal to 25% of the amount paid or incurred by a qualified taxpayer for water-efficiency improvements, as defined, on qualified real property in this state, as specified. The bill would limit the cumulative amount of the credit to \$2,500 for each qualified real property for all taxable years. The bill would require a qualified taxpayer to obtain and retain a certification of the water-efficiency improvements from the appropriate regional or local water agency after completion of the improvements and to provide a copy of this certification to the Franchise Tax Board upon request.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The 2014 water year, ending on September 30, was the third
4 driest based on the 119-year long statewide precipitation record.

5 (b) Temperatures in the first nine months of 2014 were a
6 record-breaking 4.1 degrees above the 20th century average across
7 the state.

8 (c) Responding to these unprecedented dry and hot conditions,
9 the United States Drought Monitor classified more than 80 percent
10 of California in an “extreme” drought condition, with 58 percent
11 of California in an “exceptional” drought, the highest condition.

12 (d) On January 17, 2014, the Governor called upon retail water
13 providers throughout California to reduce residential per capita
14 water use by 20 percent as compared to 2013 levels.

15 (e) Outdoor water use accounts for the highest percentage of
16 regional water use.

17 (f) Landscape design, installation, maintenance, and
18 management can and should be water efficient. The use of
19 water-efficient landscapes contributes to the state’s efforts to
20 increase the reliability of its water supplies.

21 (g) Municipalities and local water agencies are tasked with
22 enforcing water conservation ordinances to eliminate water waste
23 and restrict outdoor water use.

24 (h) It is the intent of the Legislature to provide an income tax
25 credit for the purchase of outdoor water use efficiency
26 improvements during the exceptional drought that California is
27 facing.

28 SEC. 2. Section 17053.37 is added to the Revenue and Taxation
29 Code, to read:

30 17053.37. (a) For each taxable year beginning on or after
31 January 1, 2017, and before January 1, 2022, there shall be allowed
32 as a credit against the “net tax,” as defined in Section 17039, an
33 amount equal to 25 percent of the amount paid or incurred during
34 the taxable year by a qualified taxpayer for water-efficiency
35 improvements for outdoor landscapes on qualified real property
36 in this state.

1 (b) For each qualified real property, the credit allowed under
2 this section shall not cumulatively exceed two thousand five
3 hundred dollars (\$2,500) for all taxable years.

4 (c) For the purposes of this section, the following definitions
5 shall apply:

6 (1) “Qualified real property” means a principal residence of the
7 qualified taxpayer, within the meaning of Section 121 of the
8 Internal Revenue Code, relating to exclusion of gain from sale of
9 principal residence, in this state.

10 (2) “Qualified taxpayer” means the owner of any qualified real
11 property.

12 (3) (A) “Water-efficiency improvements” means expenditures
13 voluntarily paid or incurred by the qualified taxpayer that are
14 certified by the appropriate regional or local water agency as
15 water-efficient improvements compatible with any of the following:

16 (i) A local water-efficient landscape ordinance of a regional or
17 local water agency adopted or in effect at the time the
18 improvements are made.

19 (ii) The state water-efficient landscape statutes adopted or in
20 effect at the time the improvements are made.

21 (iii) A water-efficient landscape program that is developed and
22 implemented by a regional or local water agency for the specific
23 purpose of reducing water use.

24 (B) “Water-efficiency improvements” do not include
25 improvements performed to bring landscaping into mandatory
26 compliance with a local water-efficient landscape ordinance or
27 state law.

28 (d) A qualified taxpayer shall:

29 (1) Obtain certification of the water-efficiency improvements
30 from the appropriate regional or local water agency specified in
31 paragraph (3) of subdivision (c) after completion of those
32 improvements.

33 (2) Retain a copy of the certification specified in paragraph (1)
34 and, upon request, provide a copy of that certification to the
35 Franchise Tax Board.

36 (e) This credit shall be in lieu of any other credit or deduction
37 that the qualified taxpayer may otherwise claim pursuant to this
38 part with respect to the amounts paid or incurred for
39 water-efficiency improvements for outdoor landscapes on qualified
40 real property in this state.

1 (f) In the case where the credit allowed under this section
2 exceeds the “net tax,” as defined by Section 17039, for a taxable
3 year, the excess credit may be carried over to reduce the “net tax”
4 in the following taxable year, and succeeding three taxable years,
5 if necessary, until the credit has been exhausted.

6 (g) Section 41 does not apply to the credit allowed by this
7 section.

8 (h) This section shall remain in effect until December 1, 2022,
9 and as of that date is repealed.

10 SEC. 3. This act provides for a tax levy within the meaning
11 of Article IV of the Constitution and shall go into immediate effect.