

AMENDED IN ASSEMBLY APRIL 6, 2022

CALIFORNIA LEGISLATURE—2021–22 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2142**

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**Introduced by Assembly Member Gabriel**

February 15, 2022

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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.

State-mandated local program: ~~yes~~-no.

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

- 1 SECTION 1. Section 17138.2 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17138.2. (a) For taxable years beginning on or after January
- 4 1, 2022, and before January 1, 2027, gross income does not include
- 5 any amount received as a rebate, voucher, or other financial
- 6 incentive issued by a ~~local water agency or supplier~~ *public water*
- 7 *system, local government, or state agency* for participation in a
- 8 turf replacement water conservation program.
- 9 (b) *For the purposes of this section, “public water system” shall*
- 10 *have the same meaning as in Section 116275 of the Health and*
- 11 *Safety Code.*
- 12 (b)

1 (c) This section shall remain in effect only until December 1,  
2 2027, and as of that date is repealed.

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

5 24308.9. (a) For taxable years beginning on or after January  
6 1, 2022, and before January 1, 2027, gross income does not include  
7 any amount received as a rebate, voucher, or other financial  
8 incentive issued by a ~~local water agency or supplier~~ *public water*  
9 *system, local government, or state agency* for participation in a  
10 turf replacement water conservation program.

11 (b) *For the purposes of this section, “public water system” shall*  
12 *have the same meaning as in Section 116275 of the Health and*  
13 *Safety Code.*

14 ~~(b)~~

15 (c) This section shall remain in effect only until December 1,  
16 2027, and as of that date is repealed.

17 SEC. 3. ~~(a) The~~ *For the purpose of complying with Section*  
18 *41 of the Revenue and Taxation Code, with respect to Sections*  
19 *17138.2 and 24308.9 of the Revenue and Taxation Code, as added*  
20 *by this act, the Legislature finds and declares all of the following:*

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

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

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

37 (3) Financial incentives issued by a ~~local water agency or~~  
38 ~~supplier~~ *public water systems* as part of a water conservation or  
39 efficiency program, the primary purpose of which is to reduce  
40 consumption of water or to improve the management of water

1 demand, provide a significant public benefit. ~~Financial incentives~~  
2 ~~issued by a local water agency or supplier as part of a water runoff~~  
3 ~~management improvement program, the primary purpose of which~~  
4 ~~is to reduce the amount or manage the quality of storm water~~  
5 ~~runoff, provide a significant public benefit.~~

6 (4) The income tax exclusions allowed by Sections 17138.2 and  
7 24308.9 of the Revenue and Taxation Code, as added by this act,  
8 have the objective of eliminating disincentives to participation in  
9 water conservation or efficiency ~~and storm water runoff~~  
10 ~~management~~ improvement programs aimed at increasing water  
11 conservation or efficiency ~~or improving storm water quality in~~  
12 California.

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

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

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

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

33 ~~SEC. 5.~~

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