

February 11, 2026

The Honorable Representative Smith
Chair, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith,

The Arizona Municipal Water Users Association (AMWUA) strongly supports the **Water Conservation Rebate Tax Parity Act of 2025 (H.R. 1871/S. 857)** and urges its inclusion in any broader tax legislation being considered.

Due to ongoing water supply challenges and rising costs, municipalities are working harder than ever to help residents use water more efficiently and reduce their water bills. Rebate programs are a key part of these efforts. They lower the initial cost of water-saving upgrades and encourage the adoption of technologies and landscapes that conserve water.

Unfortunately, under current federal law, some homeowners who participate in these programs may still receive an unexpected IRS Form 1099 for “income” related to conservation rebates. The federal reporting threshold increased from \$600 to \$2,000 beginning in tax year 2026, but the underlying issue remains. These rebates are not income—they are incentives designed to encourage practices that benefit entire communities. Taxing them creates a needless disincentive to conserve water.

AMWUA represents the municipalities of Avondale, Chandler, Gilbert, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, and Tempe—together serving more than 3.7 million residents. Last year, these communities collectively dedicated \$4.6 million to customer water conservation rebates. Many customers received rebates that exceeded the previous \$600 threshold, and in some cases, the new \$2,000 threshold, for projects like converting to water-efficient landscapes and retrofits, which required paying federal taxes. Offering rebates to residential and commercial customers is an integral part of AMWUA's conservation efforts, which are at the heart of its mission to ensure safe, reliable, and sustainable water supplies for our member cities.

The tax code already provides an exemption for energy efficiency rebates. Water efficiency rebates serve an equally vital purpose and deserve equal attention. The Water Conservation Rebate Tax Parity Act would close this gap, ensuring that tax policies support, rather than discourage, the adoption of water-saving improvements such as low-water-use landscapes, efficient appliances, and upgraded fixtures. Establishing tax parity for water conservation rebates will also lower financial and administrative barriers for residents, increase adoption of water-saving measures, and reduce administrative workload for municipal staff.

We respectfully encourage you to prioritize this vital legislation in upcoming discussions on tax policy. Removing unnecessary tax barriers will increase participation in water conservation programs, strengthen infrastructure resilience, and help communities protect limited water resources.

We greatly value your leadership on this issue and are ready to assist as you work to promote the Water Conservation Rebate Tax Parity Act.

Sincerely,

The AMWUA Board of Directors



Scott Anderson,
Mayor of Gilbert,
Board President



Mark Freeman,
Mayor of Mesa,
Board Vice President



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Vice Mayor of Phoenix,
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