

AMENDED IN ASSEMBLY JULY 15, 2015
AMENDED IN ASSEMBLY MARCH 16, 2015
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 585

Introduced by Assembly Member Melendez

February 24, 2015

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 585, as amended, Melendez. Outdoor Water Efficiency Act of 2015: 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, ~~2015~~, 2016, and before January 1, 2021, ~~or an earlier specified date~~, would allow a credit equal to 25% of the amount paid or incurred by a qualified taxpayer for water-efficiency ~~improvements made to outdoor landscapes~~ *improvements, as defined*, on qualified real property in this state, not to exceed \$2,500 per taxable year, 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 ~~record~~
- 6 ~~breaking~~ *4.1 a record-breaking 4.1* degrees above the 20th century
- 7 average across 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, ~~2015~~, 2016, and before January 1, 2021, there shall be
- 32 allowed as a credit against the “net tax,” as defined in Section
- 33 17039, an amount equal to 25 percent of the amount paid or
- 34 incurred during the taxable year by a qualified taxpayer for

1 water-efficiency improvements for outdoor landscapes on qualified
2 real property in this state, ~~not state.~~

3 (b) ~~The credit shall not exceed two thousand five hundred dollars~~
4 ~~(\$2,500) per taxable year. year for each qualified real property.~~
5 ~~For each qualified real property, the credit allowed under this~~
6 ~~section shall not cumulatively exceed two thousand five hundred~~
7 ~~dollars (\$2,500) for all taxable years.~~

8 ~~(b)~~

9 (c) For the purposes of this section, the following definitions
10 shall apply:

11 ~~(1) “Multifamily residential real property” means any real~~
12 ~~property that is improved with, or consisting of, a building~~
13 ~~containing more than one unit that is intended for human habitation,~~
14 ~~or any mixed residential-commercial buildings or portions thereof~~
15 ~~that are intended for human habitation. Multifamily residential~~
16 ~~real property includes residential hotels but does not include hotels~~
17 ~~and motels that are not residential hotels.~~

18 ~~(2)~~

19 (1) “Qualified real property” means ~~either multifamily~~
20 ~~residential real property or single-family real property. a principal~~
21 ~~residence of the qualified taxpayer, within the meaning of Section~~
22 ~~121 of the Internal Revenue Code, relating to exclusion of gain~~
23 ~~from sale of principal residence, in this state.~~

24 ~~(3)~~

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

27 ~~(4) “Single-family residential real property” means any real~~
28 ~~property that is improved with, or consisting of, a building~~
29 ~~containing not more than one unit that is intended for human~~
30 ~~habitation.~~

31 ~~(5) “Water efficiency~~

32 (3) (A) “Water-efficiency improvements” means expenditures
33 voluntarily paid or incurred by the qualified taxpayer ~~to meet the~~
34 ~~requirements of that are certified by the appropriate regional or~~
35 ~~local water agency as water-efficient improvements compatible~~
36 ~~with any of the following:~~

37 ~~(A)~~

38 (i) A local water-efficient landscape ordinance ~~of a regional or~~
39 ~~local water agency adopted or in effect pursuant to subdivision~~

1 ~~(c) of Section 65595 of the Government Code: at the time the~~
2 ~~improvements are made.~~
3 ~~(B) A local landscape regulation or restriction on the use of~~
4 ~~water adopted pursuant to Section 353 or Section 375 of the Water~~
5 ~~Code.~~
6 ~~(ii) The state water-efficient landscape statutes adopted or in~~
7 ~~effect at the time the improvements are made.~~
8 ~~(C)~~
9 ~~(iii) A water-efficient landscape program that is developed and~~
10 ~~implemented by a regional or local water agency for the specific~~
11 ~~purpose of reducing water use.~~
12 ~~(B) “Water-efficiency improvements” do not include~~
13 ~~improvements performed to bring landscaping into mandatory~~
14 ~~compliance with a local water-efficient landscape ordinance or~~
15 ~~state law.~~
16 ~~(d) A qualified taxpayer shall:~~
17 ~~(A) Obtain certification of the water-efficiency improvements~~
18 ~~from the appropriate regional or local water agency specified in~~
19 ~~paragraph (3) of subdivision (c) after completion of those~~
20 ~~improvements.~~
21 ~~(B) Retain a copy of the certification specified in subparagraph~~
22 ~~(A) and, upon request, provide a copy of that certification to the~~
23 ~~Franchise Tax Board.~~
24 ~~(e) This credit shall be in lieu of any other credit or deduction~~
25 ~~that the qualified taxpayer may otherwise claim pursuant to this~~
26 ~~part with respect to the amounts paid or incurred for~~
27 ~~water-efficiency improvements for outdoor landscapes on qualified~~
28 ~~real property in this state.~~
29 ~~(f) In the case where the credit allowed under this section~~
30 ~~exceeds the “net tax,” as defined by Section 17039, for a taxable~~
31 ~~year, the excess credit may be carried over to reduce the “net tax”~~
32 ~~in the following taxable year, and succeeding three taxable years,~~
33 ~~if necessary, until the credit has been exhausted.~~
34 ~~(e)~~
35 ~~(g) Section 41 does not apply to the credit allowed by this~~
36 ~~section.~~
37 ~~(d) This section shall remain in effect until December 1, 2021,~~
38 ~~unless the drought state of emergency declared by the Governor~~
39 ~~on January 17, 2014, is terminated before that date, in accordance~~
40 ~~with Section 8629 of the Government Code. In that event, this~~

1 ~~section shall remain in effect only until midnight on the first day~~
2 ~~of the first calendar quarter commencing more than 60 days after~~
3 ~~the date of the termination of the state of emergency, or until~~
4 ~~December 1, 2021, whichever is earlier, and credits shall be~~
5 ~~allowed only for that portion of the taxable year before the date~~
6 ~~this section becomes inoperative.~~

7 ~~(e) This section is repealed on December 1, 2021.~~

8 ~~(h) This section shall remain in effect until December 1, 2021,~~
9 ~~and as of that date is repealed.~~

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

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