

AMENDED IN ASSEMBLY MAY 21, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 603**

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**Introduced by Assembly Member Salas**  
*(Coauthors: Assembly Members Chu and Lackey)*  
*(Coauthors: Senators Galgiani and Vidak)*

February 24, 2015

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An act to add *and repeal* Sections 17053.98 and 23698 ~~to~~ of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 603, as amended, Salas. Income taxes: ~~turf removal tax credit.~~  
*Every Drop Counts Tax Credit.*

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws, ~~including a credit for an increase in qualified full-time employees of a qualified employer.~~ *laws.*

~~This bill would, bill,~~ under both laws, for taxable years beginning on and after January 1, ~~2015, 2016, and before January 1, 2021, or an earlier date in the event of a specified occurrence,~~ would allow a credit to a taxpayer participating in a lawn replacement *rebate* program, as defined, in an amount equal to ~~\$2 per square foot of 25% of the costs paid or incurred by the taxpayer to replace conventional lawn removed from~~ on the qualified taxpayer's ~~property.~~ *property during that taxable year, not to exceed \$1,500, as specified.* The bill would make findings and declarations in this regard.

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) California has been experiencing more frequent and severe  
 4 droughts and is currently enduring its worst drought in 200 years.  
 5 (b) It is estimated that landscaping accounts for 60 percent of  
 6 all water consumed by residential customers. California lawns  
 7 cover more than 300,000 acres and consume more than 1.5 million  
 8 acre-feet of water per year.  
 9 (c) Californians have already begun to minimize lawn watering  
 10 by replacing conventional lawns with water-saving and  
 11 drought-resistant plants or artificial grass. These landscaping  
 12 alternatives are dependable tools for water conservation.  
 13 (d) In light of severe drought, California has an interest in  
 14 encouraging consumers to decrease water usage. Establishing a  
 15 state tax credit for the removal and replacement of conventional  
 16 grass landscapes will incentivize water conservation.  
 17 (e) *This measure shall be known, and may be cited, as the Every*  
 18 *Drop Counts Tax Credit.*  
 19 SEC. 2. Section 17053.98 is added to the Revenue and Taxation  
 20 Code, to read:  
 21 17053.98. (a) (1) For each taxable year beginning on or after  
 22 January 1, ~~2015~~, 2016, and before January 1, 2021, there shall be  
 23 allowed a credit against the “net tax,” as defined by Section 17039,  
 24 to a qualified taxpayer in an amount equal to ~~two dollars (\$2) per~~  
 25 ~~square foot of~~ 25 percent of the qualified costs paid or incurred  
 26 by the qualified taxpayer to replace conventional lawn ~~removed~~  
 27 ~~from~~ on the qualified taxpayer’s ~~property~~. *property during the*  
 28 *taxable year. The amount of credit allowed for a taxable year shall*  
 29 *not exceed one thousand five hundred dollars (\$1,500).*  
 30 (2) *Notwithstanding paragraph (1), if this section is repealed*  
 31 *pursuant to paragraph (2) of subdivision (h), the credit shall be*  
 32 *allowed only for the taxable year that began on or before the date*  
 33 *upon which the state of emergency is terminated.*  
 34 (b) For the purposes of this section, the following definitions  
 35 shall apply:

1 (1) “Conventional lawn” means living, maintained grass turf,  
2 or as otherwise defined by the lawn replacement rebate program.

3 (1)

4 (2) “Lawn replacement *rebate* program” means a ~~local water~~  
5 ~~agency~~ program that offers incentives to customers encouraging  
6 the replacement of conventional lawns with artificial lawns,  
7 drought-resistant plants, or other water-efficient landscaping.

8 (3) “Local water agency” means a public entity, as that term  
9 is defined in Section 514 of the Water Code, that provides water  
10 service, as that term is defined in Section 515 of the Water Code,  
11 and offers a lawn replacement rebate program.

12 (2)

13 (4) “Qualified taxpayer” means a person participating in a lawn  
14 replacement *rebate* program offered by a local water agency.

15 (5) “Qualified costs” means the amount identified as costs  
16 eligible for a rebate pursuant to a lawn replacement rebate  
17 program in excess of the amount of the rebate actually received  
18 from the local water agency.

19 (6) “State of emergency” means the state of emergency  
20 proclaimed by the Governor on January 17, 2014, relating to  
21 drought conditions.

22 (c) A credit shall only be allowed under this section as follows:

23 (1) The credit shall not be allowed for the removal of  
24 conventional lawn from a property for which a qualified taxpayer  
25 has been allowed the credit for a prior taxable year.

26 (2) The credit shall be allowed only for that amount that exceeds  
27 the amount of rebate paid to the qualified taxpayer by a local water  
28 agency for the replacement of conventional lawn with artificial  
29 lawn, drought-resistant plants, or other water-efficient  
30 landscaping.

31 (d) In the case where the credit allowed by this section exceeds  
32 the “net tax,” the excess may be carried over to reduce the “net  
33 tax” in the following year, and the succeeding four years, if  
34 necessary, until the credit is exhausted.

35 (e) Any deduction otherwise allowed under this section for any  
36 amount paid or incurred by a taxpayer upon which the credit is  
37 based, shall be reduced by the amount of the credit allowed under  
38 this section.

39 (f) (1) To the extent that a rebate is received in a taxable year  
40 subsequent to the taxable year for which the credit under this

1 *section was allowed, the excess credit amount shall be recaptured*  
 2 *in the taxable year in which the rebate was received. For the*  
 3 *purposes of this paragraph, the excess credit amount equals the*  
 4 *difference between the amount of credit allowed and the amount*  
 5 *of credit that would have been allowed if the rebate had been*  
 6 *received in the taxable year in which the credit was allowed. The*  
 7 *excess credit amount shall be added to the tax otherwise owed by*  
 8 *the qualified taxpayer for the taxable year in which the rebate was*  
 9 *received.*

10 (2) *Any recapture pursuant to this subdivision, in whole or in*  
 11 *part, shall be treated as a mathematical error appearing on the*  
 12 *return. Any amount of tax resulting from the recapture shall be*  
 13 *assessed by the Franchise Tax Board, in the same manner as*  
 14 *provided by Section 19051.*

15 (e)

16 (g) *The credit is allowed by this section notwithstanding Section*  
 17 *41.*

18 (h) (1) *This section shall remain in effect only until December*  
 19 *1, 2021, and as of that date is repealed.*

20 (2) *Notwithstanding paragraph (1), if the state of emergency is*  
 21 *terminated pursuant to Section 8629 of the Government Code prior*  
 22 *to the date specified in paragraph (1), this section shall remain in*  
 23 *effect only until December 1 of the year following the year in which*  
 24 *the state of emergency is terminated, and as of that date is*  
 25 *repealed.*

26 SEC. 3. Section 23698 is added to the Revenue and Taxation  
 27 Code, to read:

28 23698. (a) (1) *For each taxable year beginning on or after*  
 29 *January 1, 2015, 2016, and before January 1, 2021, there shall be*  
 30 *allowed a credit against the “tax,” as defined by Section 23036,*  
 31 *to a qualified taxpayer in an amount equal to two dollars (\$2) per*  
 32 *square foot of 25 percent of the qualified costs paid or incurred*  
 33 *by the qualified taxpayer to replace conventional lawn removed*  
 34 *from on the qualified taxpayer’s property. property during the*  
 35 *taxable year. The amount of credit allowed for a taxable year shall*  
 36 *not exceed one thousand five hundred dollars (\$1,500).*

37 (2) *Notwithstanding paragraph (1), if this section is repealed*  
 38 *pursuant to paragraph (2) of subdivision (h), the credit shall be*  
 39 *allowed only for the taxable year that began on or before the date*  
 40 *upon which the state of emergency is terminated.*

1 (b) For the purposes of this section, the following definitions  
2 shall apply:

3 (1) *“Conventional lawn” means living, maintained grass turf*  
4 *or as otherwise defined by the lawn replacement rebate program.*

5 ~~(1)~~

6 (2) *“Lawn replacement rebate program” means a ~~local water~~*  
7 *agency program that offers incentives to customers encouraging*  
8 *the replacement of conventional lawns with artificial lawns,*  
9 *drought-resistant plants, or other water-efficient landscaping.*

10 (3) *“Local water agency” means a public entity, as that term*  
11 *is defined in Section 514 of the Water Code, that provides water*  
12 *service, as that term is defined in Section 515 of the Water Code,*  
13 *and offers a lawn replacement rebate program.*

14 ~~(2)~~

15 (4) *“Qualified taxpayer” means a person participating in a lawn*  
16 *replacement rebate program offered by a local water agency.*

17 (5) *“Qualified costs” means the amount identified as costs*  
18 *eligible for a rebate pursuant to a lawn replacement rebate*  
19 *program in excess of the amount of the rebate actually received*  
20 *from the local water agency.*

21 (6) *“State of emergency” means the state of emergency*  
22 *proclaimed by the Governor on January 17, 2014, relating to*  
23 *drought conditions.*

24 (c) *A credit shall only be allowed under this section as follows:*

25 (1) *The credit shall not be allowed for the removal of*  
26 *conventional lawn from a property for which a qualified taxpayer*  
27 *has been allowed the credit for a prior taxable year.*

28 (2) *The credit shall be allowed only for that amount that exceeds*  
29 *the amount of rebate paid to the qualified taxpayer by a local water*  
30 *agency for the replacement of conventional lawn with artificial*  
31 *lawn, drought-resistant plants, or other water-efficient*  
32 *landscaping.*

33 (d) *In the case where the credit allowed by this section exceeds*  
34 *the “tax,” the excess may be carried over to reduce the “tax” in*  
35 *the following year, and the succeeding four years, if necessary,*  
36 *until the credit is exhausted.*

37 (e) *Any deduction otherwise allowed under this section for any*  
38 *amount paid or incurred by a taxpayer upon which the credit is*  
39 *based, shall be reduced by the amount of the credit allowed under*  
40 *this section.*

1 (f) (1) To the extent that a rebate is received in a taxable year  
2 subsequent to the taxable year for which the credit under this  
3 section was allowed, the excess credit amount shall be recaptured  
4 in the taxable year in which the rebate was received. For the  
5 purposes of this paragraph, the excess credit amount equals the  
6 difference between the amount of credit allowed and the amount  
7 of credit that would have been allowed if the rebate had been  
8 received in the taxable year in which the credit was allowed. The  
9 excess credit amount shall be added to the tax otherwise owed by  
10 the qualified taxpayer for the taxable year in which the rebate was  
11 received.

12 (2) Any recapture pursuant to this subdivision, in whole or in  
13 part, shall be treated as a mathematical error appearing on the  
14 return. Any amount of tax resulting from the recapture shall be  
15 assessed by the Franchise Tax Board, in the same manner as  
16 provided by Section 19051.

17 (e)

18 (g) The credit is allowed by this section notwithstanding Section  
19 41.

20 (h) (1) This section shall remain in effect only until December  
21 1, 2021, and as of that date is repealed.

22 (2) Notwithstanding paragraph (1), if the state of emergency is  
23 terminated pursuant to Section 8629 of the Government Code prior  
24 to the date specified in paragraph (1), this section shall remain in  
25 effect only until December 1 of the year following the year in which  
26 the state of emergency is terminated, and as of that date is  
27 repealed.

28 SEC. 4. This act provides for a tax levy within the meaning of  
29 Article IV of the Constitution and shall go into immediate effect.

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