



POSITION PAPER ON POLICY

Investment Tax Credit for Industrial Reuse

Recommendation

Establish a federal tax credit for retrofitting industrial facilities to accept municipal recycled water or recycle water onsite.

Background

Industrial facilities use approximately 45% of municipal drinking water. Although many facilities may be able to reuse water, the cost of retrofitting existing facilities is prohibitively expensive.

An investment tax credit is a dollar-for-dollar reduction in federal income taxes for investments in infrastructure, technology, or other projects or activities. Tax credits create an incentive for companies to invest private capital in infrastructure projects that provide a benefit to the public and taxpayers.

A tax credit for retrofitting existing industrial facilities with the infrastructure and technology to reuse water would encourage private investment in water reuse. Companies could reduce their tax bills as well as reduce the need for potable water for manufacturing, power generation or other industrial processing.

A similar proposal was introduced in 2014 by Senators Ben Cardin (D-MD), Diane Feinstein (D-CA) and Brian Schatz (D-HI). The *Energy Efficiency Tax Incentives Act (S.2189)* would have created a new investment tax credit for water reuse, recycling, and efficiency measures related to process, sanitary, and cooling water.

Benefits

- Creating a tax benefit will spark private investment and public private partnerships in building water infrastructure.
- Retrofitting existing industrial facilities will reduce or eliminate discharges which will improve water quality.
- Retrofitting will reduce the use of potable water for industrial purposes, thereby easing the demand on municipal water supplies.
- Providing incentives for private investment in capital improvement projects for reuse reduces the burden on taxpayers for increasing municipal supply.