

119TH CONGRESS
1ST SESSION

H. R. 2940

To amend the Internal Revenue Code of 1986 to allow an investment credit
for certain water reuse projects.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 2025

Mr. LAHOOD (for himself, Ms. SÁNCHEZ, Ms. TENNEY, and Mr. SCHNEIDER)
introduced the following bill; which was referred to the Committee on
Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow an
investment credit for certain water reuse projects.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Advancing Water
5 Reuse Act”.

6 **SEC. 2. QUALIFYING WATER REUSE PROJECT CREDIT.**

7 (a) IN GENERAL.—Subpart E of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 is amended by inserting after section 48E the fol-
10 lowing new section:

1 **“SEC. 48F. QUALIFYING WATER REUSE PROJECT CREDIT.**

2 “(a) IN GENERAL.—For purposes of section 46, the
3 qualifying water reuse project credit for any taxable year
4 is an amount equal to 30 percent of the qualified invest-
5 ment for such taxable year with respect to any qualifying
6 water reuse project of the taxpayer.

7 “(b) QUALIFIED INVESTMENT.—

8 “(1) IN GENERAL.—For purposes of subsection
9 (a), the qualified investment with respect to any
10 qualifying water reuse project for any taxable year
11 is the basis of qualified property placed in service by
12 the taxpayer during such taxable year which is part
13 of such qualifying water reuse project.

14 “(2) QUALIFIED PROPERTY.—For purposes of
15 this subsection, the term ‘qualified property’ means
16 property—

17 “(A) which is tangible property,

18 “(B) with respect to which depreciation (or
19 amortization in lieu of depreciation) is allow-
20 able, and

21 “(C) which is—

22 “(i) constructed, reconstructed, or
23 erected by the taxpayer, or

24 “(ii) acquired by the taxpayer if the
25 original use of such property commences
26 with the taxpayer.

1 “(3) CERTAIN QUALIFIED PROGRESS EXPENDI-
2 TURES RULES MADE APPLICABLE.—Rules similar to
3 the rules of subsections (c)(4) and (d) of section 46
4 (as in effect on the day before the enactment of the
5 Revenue Reconciliation Act of 1990) shall apply for
6 purposes of this section.

7 “(c) QUALIFYING WATER REUSE PROJECT.—For
8 purposes of this section, the term ‘qualifying water reuse
9 project’ means a project which—

10 “(1) installs, replaces, or modifies an onsite
11 water recycling system within an industrial, manu-
12 facturing, data center, or food processing facility,

13 “(2) replaces the use of freshwater, such as
14 groundwater, with recycled water from a municipal
15 water provider for the production of goods or provi-
16 sion of services, or

17 “(3) builds or expands a municipal water recy-
18 cling system for the purpose of securing recycled
19 water for the production of goods or provision of
20 services.

21 “(d) SPECIAL RULE FOR CERTAIN PROPERTY
22 TRANSFERRED TO UTILITIES.—

23 “(1) IN GENERAL.—In the case of any qualified
24 transfer property transferred from a person to a
25 utility—

1 “(A) such property shall be treated as
2 qualified property with respect to such person,

3 “(B) such person shall be treated as hav-
4 ing placed such property in service at the time
5 of such transfer,

6 “(C) the basis of such person in such prop-
7 erty which is taken into account under sub-
8 section (b)(1) shall be the basis of such person
9 in such property at the time of such transfer,
10 and

11 “(D) such property shall not be taken into
12 account for purposes of determining any credit
13 allowed under this section to such utility.

14 “(2) QUALIFIED TRANSFER PROPERTY.—For
15 purposes of this subsection, the term ‘qualified
16 transfer property’ means property transferred from
17 a person to a utility if—

18 “(A) such property is qualified property
19 with respect to such utility, and

20 “(B) such person and such utility enter
21 into a binding written agreement under which
22 such person is treated as eligible for the credit
23 allowed under this section with respect to such
24 property in lieu of such utility.

1 “(e) TERMINATION.—This section shall not apply to
2 any property the construction of which begins after De-
3 cember 31, 2032.”.

4 (b) PART OF INVESTMENT CREDIT.—Section 46 of
5 such Code is amended by striking “and” at the end of
6 paragraph (6), by striking the period at the end of para-
7 graph (7) and inserting “, and”, and by adding at the
8 end the following new paragraph:

9 “(8) the qualifying water reuse project credit.”.

10 (c) CLERICAL AMENDMENT.—The table of sections
11 for subpart D of part IV of subchapter A of chapter 1
12 of such Code is amended by inserting after the item relat-
13 ing to section 48E the following new item:

“Sec. 48F. Qualifying water reuse project credit.”.

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to periods after the date of the
16 enactment of this section under rules similar to the rules
17 of section 48(m) of the Internal Revenue Code of 1986
18 (as in effect on the date of the enactment of the Revenue
19 Reconciliation Act of 1990).

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