

119TH CONGRESS
2D SESSION

S. 4506

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

IN THE SENATE OF THE UNITED STATES

MAY 13, 2026

Mr. LUJÁN (for himself and Mrs. BRITT) introduced the following bill; which was read twice and referred to the Committee on Finance

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—

9 “(1) IN GENERAL.—The term ‘qualifying water
 10 reuse project’ means a project which—

11 “(A) installs, replaces, or modifies an on-
 12 site water recycling system within an industrial,
 13 manufacturing, data center, or food processing
 14 facility,

15 “(B) replaces the use of freshwater, such
 16 as groundwater, with recycled water from a mu-
 17 nicipal water provider for the production of
 18 goods or provision of services by the taxpayer,
 19 or

20 “(C) builds or expands a municipal water
 21 recycling system for the purpose of securing re-
 22 cycled water for the production of goods or pro-
 23 vision of services.

24 “(2) WATER RECYCLING SYSTEM.—The term
 25 ‘water recycling system’ means infrastructure needed

1 for the production, storage, conveyance, and use of
2 recycled water.

3 “(3) RECYCLED WATER.—The term ‘recycled
4 water’ means former wastewater, including both in-
5 dustrial and municipal wastewater, that has been
6 treated and cleaned for a specific beneficial use.

7 “(d) SPECIAL RULE FOR CERTAIN PROPERTY
8 TRANSFERRED TO UTILITIES.—

9 “(1) IN GENERAL.—In the case of any qualified
10 transfer property transferred from a person to a
11 utility—

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

14 “(B) such person shall be treated as hav-
15 ing placed such property in service at the time
16 of such transfer,

17 “(C) the basis of such person in such prop-
18 erty which is taken into account under sub-
19 section (b)(1) shall be the basis of such person
20 in such property at the time of such transfer,
21 and

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

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

5 “(A) such property is qualified property
 6 with respect to such utility, and

7 “(B) such person and such utility enter
 8 into a binding written agreement under which
 9 such person is treated as eligible for the credit
 10 allowed under this section with respect to such
 11 property in lieu of such utility.

12 “(e) TERMINATION.—This section shall not apply to
 13 any qualified investment with respect to any qualifying
 14 water reuse project unless such project is placed in service
 15 not later than the date which is 10 years after the date
 16 of the enactment of this section.”.

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

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

23 (c) CLERICAL AMENDMENT.—The table of sections
 24 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 48E the following new item:

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

3 (d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to qualifying water reuse projects
5 (as defined in section 48F of the Internal Revenue Code
6 of 1986, as added by this section) the construction of
7 which begins after the date of the enactment of this Act.

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