

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE BILL 1385
Committee Substitute Favorable 5/27/09

Short Title: Water Conservation Tax Credits/Reforms. (Public)

Sponsors:

Referred to:

April 13, 2009

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A TAX CREDIT FOR CONSTRUCTION AND INSTALLATION
3 OF CISTERNS ON RESIDENTIAL AND COMMERCIAL PROPERTY, TO PROVIDE A
4 TAX CREDIT FOR INSTALLATION OF INNOVATIVE IRRIGATION SYSTEMS ON
5 RESIDENTIAL AND COMMERCIAL PROPERTY, AND TO PROVIDE THAT LARGE
6 CITIES MAY NOT PROHIBIT RAINWATER RECOVERY AND INNOVATIVE
7 IRRIGATION SYSTEMS.

8 The General Assembly of North Carolina enacts:

9 SECTION 1. Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
10 by adding a new section to read:

11 "**§ 105-130.49. Credit for cistern installation.**

12 (a) Credit. – A taxpayer that constructs, installs, and places in service in this State an
13 eligible cistern is allowed a credit equal to thirty-five percent (35%) of the cost to the taxpayer
14 of constructing and installing the system, including modifications to existing plumbing systems
15 necessary for operation of the system. An eligible cistern is a system that meets each of the
16 following criteria:

17 (1) It is a watertight storage tank with smooth interior surfaces and an enclosed
18 lid fabricated from nonreactive materials such as reinforced concrete,
19 galvanized steel, or plastic and which is located underground, at ground
20 level, or on elevated stands either outdoors or within a building or other
21 containment structure and that is intended to collect rainfall from a
22 catchment area such as a roof.

23 (2) It meets all standards for reclaimed water or gray water promulgated by the
24 Division of Public Health of the Department of Environment and Natural
25 Resources, the North Carolina Building Code Council, and the local health
26 department with jurisdiction over the facility where the system is located.

27 (b) Limitation. – The credit allowed by this section may not exceed the amount of tax
28 imposed by this Part for the taxable year reduced by the sum of all credits allowed, except
29 payments of tax made by or on behalf of the taxpayer.

30 (c) Substantiation. – A taxpayer allowed a credit under this section must maintain and
31 make available for inspection any information or records required by the Secretary. The
32 taxpayer has the burden of proving eligibility for a credit and the amount of the credit.

33 (d) Carryforward. – Any unused portion of this credit may be carried forward for the
34 next succeeding five years.

35 (e) Sunset. – This section is repealed effective for taxable years beginning on or after
36 January 1, 2014."



1 **SECTION 2.** Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
2 by adding a new section to read:

3 **"§ 105-130.50. Credit for installation of an innovative irrigation system.**

4 (a) Credit. – A taxpayer that constructs, installs, and places in service in this State an
5 eligible irrigation system is allowed a credit equal to thirty-five percent (35%) of the cost to the
6 taxpayer of constructing, installing, and placing the system into service, including
7 modifications to existing plumbing systems necessary for operation of the system. An eligible
8 irrigation system is a system that meets each of the following criteria:

9 (1) It includes a rain sensor or any other innovative water application
10 technology that results in a decrease in water consumption of twenty-five
11 percent (25%) or more over an irrigation system that does not include
12 innovative water application technology. For purposes of this subdivision,
13 "innovative water application technology" includes a conservation
14 controller, an evapotranspiration controller, soil moisture sensor controller,
15 flow sensor, pressure-regulating master valve, pressure-regulating zone
16 valves, pressure-regulating spray heads, spray and rotor heads with check
17 valves, drip irrigation, and micro-sprinklers.

18 (2) It meets all standards for reclaimed water or gray water promulgated by the
19 Division of Public Health of the Department of Environment and Natural
20 Resources, the North Carolina Building Code Council, and the local health
21 department with jurisdiction over the facility where the system is located.

22 (b) Limitation. – The credit allowed by this section may not exceed the amount of tax
23 imposed by this Part for the taxable year reduced by the sum of all credits allowed, except
24 payments of tax made by or on behalf of the taxpayer.

25 (c) Substantiation. – A taxpayer allowed a credit under this section must maintain and
26 make available for inspection any information or records required by the Secretary. The
27 taxpayer has the burden of proving eligibility for a credit and the amount of the credit.

28 (d) Carryforward. – Any unused portion of this credit may be carried forward for the
29 next succeeding five years.

30 (e) Sunset. – This section is repealed effective for taxable years beginning on or after
31 January 1, 2014."

32 **SECTION 3.** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended
33 by adding a new section to read:

34 **"§ 105-151.33. Credit for cistern installation.**

35 (a) Credit. – A taxpayer that constructs, installs, and places in service in this State an
36 eligible cistern is allowed a credit equal to thirty-five percent (35%) of the cost to the taxpayer
37 of constructing and installing the system, including modifications to existing plumbing systems
38 necessary for operation of the system. An eligible cistern is a system that meets each of the
39 following criteria:

40 (1) It is a watertight storage tank with smooth interior surfaces and an enclosed
41 lid fabricated from nonreactive materials such as reinforced concrete,
42 galvanized steel, or plastic and which is located underground, at ground
43 level, or on elevated stands either outdoors or within a building or other
44 containment structure and that is intended to collect rainfall from a
45 catchment area such as a roof.

46 (2) It is located at a residence owned by the taxpayer.

47 (3) It meets all standards for reclaimed water or gray water promulgated by the
48 Division of Public Health of the Department of Environment and Natural
49 Resources, the North Carolina Building Code Council, and the local health
50 department with jurisdiction over the facility where the system is located.

1 **(b) Limitation.** – The credit allowed by this section may not exceed the amount of tax
2 imposed by this Part for the taxable year reduced by the sum of all credits allowed, except
3 payments of tax made by or on behalf of the taxpayer.

4 **(c) Substantiation.** – A taxpayer allowed a credit under this section must maintain and
5 make available for inspection any information or records required by the Secretary. The
6 taxpayer has the burden of proving eligibility for a credit and the amount of the credit.

7 **(d) Carryforward.** – Any unused portion of this credit may be carried forward for the
8 next succeeding five years.

9 **(e) Sunset.** – This section is repealed effective for taxable years beginning on or after
10 January 1, 2014."

11 **SECTION 4.** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended
12 by adding a new section to read:

13 **"§ 105-151.34. Credit for installation of an innovative irrigation system.**

14 **(a) Credit.** – A taxpayer that constructs, installs, and places in service in this State an
15 eligible irrigation system is allowed a credit equal to thirty-five percent (35%) of the cost to the
16 taxpayer of constructing, installing, and placing the system into service, including
17 modifications to existing plumbing systems necessary for operation of the system. An eligible
18 irrigation system is a system that meets each of the following criteria:

19 **(1)** It includes a rain sensor or any other innovative water application
20 technology that results in a decrease in water consumption of twenty-five
21 percent (25%) or more over an irrigation system that does not include
22 innovative water application technology. For purposes of this subdivision,
23 "innovative water application technology" includes a conservation
24 controller, an evapotranspiration controller, soil moisture sensor controller,
25 flow sensor, pressure-regulating master valve, pressure-regulating zone
26 valves, pressure-regulating spray heads, spray and rotor heads with check
27 valves, drip irrigation, and micro-sprinklers.

28 **(2)** It is located at a residence owned by the taxpayer.

29 **(3)** It meets all standards for reclaimed water or gray water promulgated by the
30 Division of Public Health of the Department of Environment and Natural
31 Resources, the North Carolina Building Code Council, and the local health
32 department with jurisdiction over the facility where the system is located.

33 **(b) Limitation.** – The credit allowed by this section may not exceed the amount of tax
34 imposed by this Part for the taxable year reduced by the sum of all credits allowed, except
35 payments of tax made by or on behalf of the taxpayer.

36 **(c) Substantiation.** – A taxpayer allowed a credit under this section must maintain and
37 make available for inspection any information or records required by the Secretary. The
38 taxpayer has the burden of proving eligibility for a credit and the amount of the credit.

39 **(d) Carryforward.** – Any unused portion of this credit may be carried forward for the
40 next succeeding five years.

41 **(e) Sunset.** – This section is repealed effective for taxable years beginning on or after
42 January 1, 2014."

43 **SECTION 5.** Article 8 of Chapter 160A of the General Statutes is amended by
44 adding a new section to read:

45 **"§ 160A-202. Regulation of cisterns and rain barrels used for irrigation and innovative**
46 **irrigation systems.**

47 **(a)** No city ordinance may prohibit or have the effect of prohibiting the installation and
48 maintenance of cistern and rain barrel collection systems used to collect water for irrigation
49 purposes or any innovative irrigation systems on any property within the city's corporate limits
50 and extraterritorial planning jurisdiction. The city may regulate the installation and
51 maintenance of cistern and rain barrel collection systems and innovative irrigation systems for

1 the purpose of protecting the public health and safety and for the purpose of preventing them
2 from becoming a public nuisance. For purposes of this section, "an innovative irrigation
3 system" is an irrigation system that utilizes an innovative water application technology, such as
4 a conservation controller, an evapotranspiration controller, soil moisture sensor controller, flow
5 sensor, pressure-regulating master valve, pressure-regulating zone valves, pressure-regulating
6 spray heads, spray and rotor heads with check valves, drip irrigation, and micro-sprinklers.

7 (b) This section applies to cities having a population in excess of 100,000 according to
8 the last federal decennial census."

9 **SECTION 6.** Sections 1 through 4 of this act become effective for taxable years
10 beginning on or after January 1, 2010. Section 5 of this act becomes effective October 1, 2009.
11 Section 6 of this act is effective when this act becomes law.