

NATIONAL WATER REUSE ACTION PLAN

COMPLETED ACTION

Action 6.6 Study the Public Benefit of a Potential Water Reuse Tax Credit to Support Private Investment in Water Reuse



Background

The Water Reuse Interagency Working Group, chaired by the EPA, was established in 2022 to develop and coordinate actions, tools and resources to advance water reuse. In 2023, Congress issued a joint explanatory statement, which accompanied the Consolidated Appropriations Act and included the following statement regarding the EPA and Interagency Working Group:

“Given widescale deployment of private water reuse infrastructure at industrial facilities can be expensive for public utilities and local governments, the Committee directs the Agency, in coordination with the Water Reuse Interagency Working Group, to undertake a study on the public benefit of a potential federal investment tax credit to support private investment in water reuse and recycling systems. The Committee expects the Agency to report to the Committee within 180 days of enactment of this Act on planned actions to carry out this study.”

The Environmental Financial Advisory Board conducted a study for EPA on a tax incentive that would encourage privately owned industrial facilities to invest in equipment that enables the use of municipally provided recycled water and/or enables onsite treatment and reuse of different sources of wastewater. The EPA’s Environmental Financial Advisory Board formed a work group of experts to conduct this study and completed a short report for the Committee’s consideration. This study investigated both the potential public benefits of an investment tax credit and potential structures of a tax credit to encourage investment.

Accomplishments/Impact

- In November 2024, the EPA’s Environmental Financial Advisory Board Water Reuse Workgroup completed an [assessment of the potential public benefit of an industrial reuse investment tax credit](#) at the direction of Congress. This study—the outcome of a public listening session and regular workgroup meetings—presents their recommendations on the development of an investment tax credit focused on both onsite reuse and centralized reuse using treated municipal wastewater.
- In April 2025, a bipartisan group of Representatives introduced the Advancing Water Reuse Act ([H.R. 2940](#)). If passed, this Act would establish an investment tax credit for industrial water reuse.

Action Team

Action Leaders

- **U.S. Environmental Protection Agency (EPA)**
 - Justin Mattingly, formerly Office of Water
 - Tara Johnson, Environmental Financial Advisory Board (johnson.tara@epa.gov)
- **Denver Water**
 - Angela Bricmont, Environmental Financial Advisory Board Work Group Chair (angela.bricmont@denverwater.org)

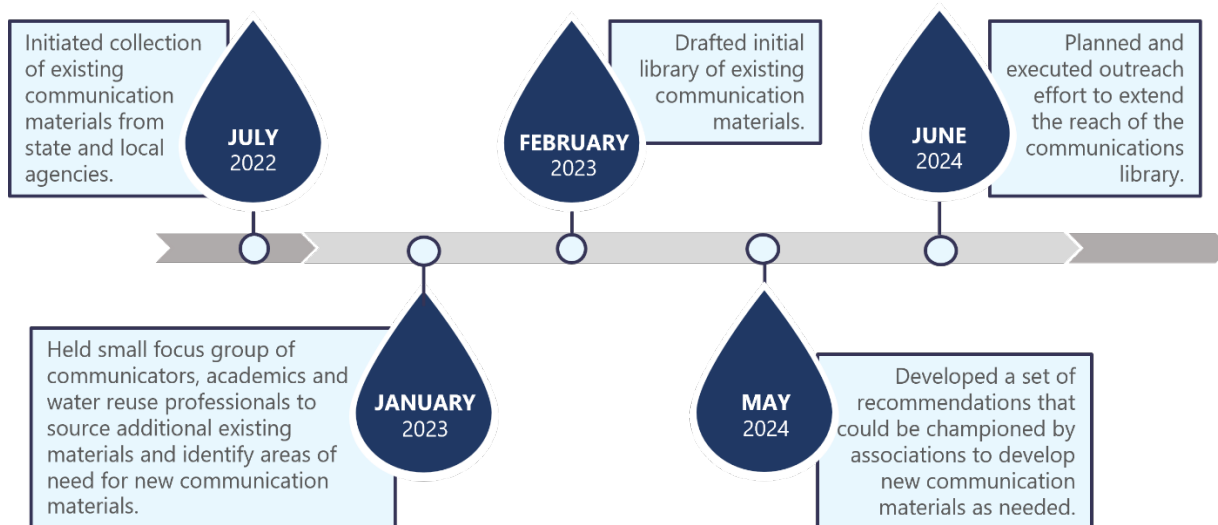
Action Partners

- **Environmental Financial Advisory Board**

Lessons Learned

The Environmental Financial Advisory Board's recommendations are summarized as:

- Incentives should be tailored to the challenge(s) being addressed (e.g., water scarcity versus water quality concerns) and the application (e.g., onsite water reuse versus potable water reuse).
- A diverse range of participants should be targeted for tax incentives, including large-scale users (e.g., stadiums, resorts, etc.).
- Tax incentives can support both centralized and decentralized reuse approaches, benefitting customers who pay for multiple water-related services.



Potential Future Activity

There are several recommendations proposed by the Environmental Financial Advisory Board to implement successful tax incentives for reuse, including but not limited to:

- Measure and quantify the public benefits of reuse using established economic frameworks such as the Economic Framework for Evaluating the Benefits and Costs of Water Reuse (Water Research Foundation (WRF) Project #1587).
- Consider benefits to the public at large when considering tax incentives (building resiliency to natural disasters, reducing national security threats, expanding recreational spaces, enhancing economic development, etc.).
- Build upon the economic framework developed by the Water Research Foundation by incorporating 1) research that investigates water supply resilience benefits from water reuse, 2) case studies that highlight overall costs and benefits of water reuse projects, and 3) opportunity costs when water reuse is not available to meet water demand.

Additional Resources

- Stratus Consulting Inc. (2006). An Economic Framework for Evaluating the Benefits and Costs of Water Reuse. WaterReuse Research Foundation Project #1587.
<https://www.waterrf.org/research/projects/economic-framework-evaluation-benefits-and-costs-water-reuse>