

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 1385  
PROPOSED COMMITTEE SUBSTITUTE H1385-PCS50716-SB-41

Short Title: Water Conservation Tax Credits/Reforms.

(Public)

Sponsors:

Referred to:

April 13, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A TAX CREDIT FOR CONSTRUCTION AND INSTALLATION OF CISTERNS ON RESIDENTIAL AND COMMERCIAL PROPERTY, TO PROVIDE A TAX CREDIT FOR INSTALLATION OF INNOVATIVE IRRIGATION SYSTEMS ON RESIDENTIAL AND COMMERCIAL PROPERTY, AND TO PROVIDE THAT LARGE CITIES MAY NOT PROHIBIT RAINWATER RECOVERY AND INNOVATIVE IRRIGATION SYSTEMS.

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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

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



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

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

5 **"§ 105-130.50. Credit for installation of an innovative irrigation system.**

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

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

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

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

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

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

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

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

36 **"§ 105-151.33. Credit for cistern installation.**

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

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

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

49           (3) It meets all standards for reclaimed water or gray water promulgated by the  
50 Division of Public Health of the Department of Environment and Natural

1 Resources, the North Carolina Building Code Council, and the local health  
2 department with jurisdiction over the facility where the system is located.

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

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

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

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

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

15 **"§ 105-151.34. Credit for installation of an innovative irrigation system.**

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

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

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

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

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

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

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

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

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

47 **"§ 160A-202. Regulation of cisterns and rain barrels used for irrigation and innovative**  
48 **irrigation systems.**

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

1 and extraterritorial planning jurisdiction. The city may regulate the installation and  
2 maintenance of cistern and rain barrel collection systems and innovative irrigation systems for  
3 the purpose of protecting the public health and safety and for the purpose of preventing them  
4 from becoming a public nuisance. For purposes of this section, "an innovative irrigation  
5 system" is an irrigation system that utilizes an innovative water application technology, such as  
6 a conservation controller, an evapotranspiration controller, soil moisture sensor controller, flow  
7 sensor, pressure-regulating master valve, pressure-regulating zone valves, pressure-regulating  
8 spray heads, spray and rotor heads with check valves, drip irrigation, and micro-sprinklers.

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

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