

May [ ], 2022

The Honorable Chris Holden, Chair  
Assembly Appropriations Committee  
[Address Line 1]  
[Address Line 2]

Dear Chair Holden (OR if they are from a district with a respective member):

**Subject: Support for AB2054 Mutual Water Companies Tax Status**

I am writing on behalf of [NAME OF SUPPLIER] in support of AB2054. [NAME OF SUPPLIER] represents [NUMBER OF CUSTOMERS] customers in [NAME OF COUNTY], California. Under AB2054, California's tax code would recognize the Federal 501(c)(12) tax-exempt status of mutual water companies. Under California's current tax laws, mutuals are taxed when accepting state grants. Passage of AB2054 will relieve residents who are served by mutual water companies of tax burdens that are not imposed on taxpayers/customers when municipal utilities and water districts accept grants, hold reserves or use non-water sale funds to improve our water systems.

AB2054 is a simple bill that conforms the California Revenue and Taxation Code with Section 501(c)(12) of the Internal Revenue Code, which provides federal tax-exempt status for mutual water companies. Without such tax-exempt status under existing California law, mutual water companies eligible for funding under Propositions 1 will be taxed for grants they receive. Without correction of the California tax law under AB2054, mutual water companies are also exposed to tax liabilities for earning interest on reserve accounts meant for water system maintenance; and those desiring consolidations with public agencies may see years in delays due to tax complications. Mutual water companies are not-for-profit corporations whose customers are our shareholders and members. As shareholders we are responsible for providing safe drinking water and must comply with the same safe drinking water laws that apply to municipal water systems, water districts and regulated utilities.

AB2054 also includes provisions that ensure that mutual water companies that gain tax-exempt status comply with the various state laws that have been enacted to safeguard their proper corporate conduct. The law will also sunset, providing an opportunity to evaluate if tax exemptions in California for grants stimulate their use to improve poorer and smaller water systems.

We respectfully request that you support AB2054 to place California's tax laws in line with other states that recognize the Federal 501(c)(12) tax-exempt designation.

Sincerely yours,

(NAME)

(President/GM/Other Company Leadership)

(WATER COMPANY)