

# Congress of the United States

Washington, DC 20515

February 6, 2024

The Honorable Danny Werfel  
Commissioner  
Internal Revenue Service  
1111 Constitution Ave, NW  
Washington, DC 20224

Dear Commissioner Werfel:

We write to urge the Internal Revenue Service to clarify the tax status of lead pipe replacement grants as soon as possible.

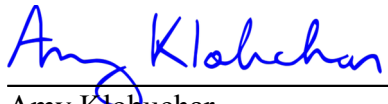
As you know, the *Infrastructure Investment and Jobs Act* provided long-overdue federal funding to replace dangerous lead water pipes. There are an estimated 9.2 million service lines across the country leaching lead into drinking water, putting the health of children and families at risk. Unfortunately, many state and local governments have been unable to use these critical federal resources to begin replacing lead service lines due to the uncertain tax status of lead pipe replacement projects in our states. The IRS must act expeditiously to remedy this issue.

Through its General Welfare Exclusion, the IRS has a long history of exempting taxpayers from reporting legislatively provided payments that promote public health as taxable income. This policy should apply to property owners receiving funds for lead pipe replacements as well. However, the cost of removing and replacing lead service lines through programs in our states currently must be reported as taxable income. As a result, property owners who have lead pipes replaced through this funding will be taxed for the cost of the replacement work and could in turn owe thousands of dollars in taxes.

We understand the IRS is working on guidance clarifying that lead pipe replacement projects will be considered non-taxable under the General Welfare Exclusion. While we appreciate the IRS's attention to this issue, it is critical that the agency act as swiftly as possible so state and local governments can begin working with residents to remove dangerous lead service lines from housing units of all types.

Thank you for your urgent attention to this matter.


Sincerely,



Amy Klobuchar  
United States Senator



Deb Fischer  
United States Senator



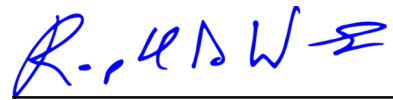
Tina Smith  
United States Senator



Pete Ricketts  
United States Senator



Gary C. Peters  
United States Senator



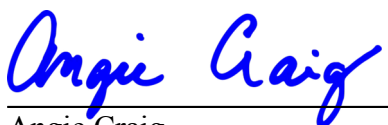
Raphael Warnock  
United States Senator



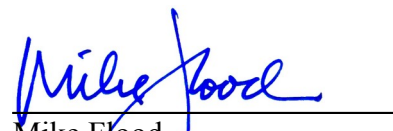
Daniel T. Kildee  
Member of Congress



Don Bacon  
Member of Congress



Angie Craig  
Member of Congress



Mike Flood  
Member of Congress



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Betty McCollum  
Member of Congress



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Gwen S. Moore  
Member of Congress



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Ilhan Omar  
Member of Congress



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Rashida Tlaib  
Member of Congress



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Dean Phillips  
Member of Congress