

115TH CONGRESS  
2D SESSION

# H. R. 519

---

IN THE SENATE OF THE UNITED STATES

JULY 25, 2018

Received; read twice and referred to the Committee on Finance

---

## AN ACT

To amend the Internal Revenue Code of 1986 to facilitate water leasing and water transfers to promote conservation and efficiency.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Water and Agriculture  
3 Tax Reform Act of 2018”.

4 **SEC. 2. FACILITATE WATER LEASING AND WATER TRANS-**  
5 **FERS TO PROMOTE CONSERVATION AND EF-**  
6 **FICIENCY.**

7 (a) IN GENERAL.—Paragraph (12) of section 501(c)  
8 of the Internal Revenue Code of 1986 is amended by add-  
9 ing at the end the following new subparagraph:

10 “(J) TREATMENT OF MUTUAL DITCH IRRI-  
11 GATION COMPANIES.—

12 “(i) IN GENERAL.—In the case of a  
13 mutual ditch or irrigation company or of a  
14 like organization to a mutual ditch or irri-  
15 gation company, subparagraph (A) shall be  
16 applied without taking into account—

17 “(I) any income received or ac-  
18 crued from the sale, lease, or ex-  
19 change of fee or other interests in real  
20 and personal property, including inter-  
21 ests in water (other than income de-  
22 rived from the sale, lease, or transfer  
23 of water to nonmembers outside the  
24 river basin or basins within which the  
25 mutual ditch or irrigation company  
26 operates),

1                   “(II) any income received or ac-  
2                    crued from the sale or exchange of  
3                    stock in a mutual ditch or irrigation  
4                    company (or in a like organization to  
5                    a mutual ditch or irrigation company)  
6                    or contract rights for the delivery or  
7                    use of water, or

8                   “(III) any income received or ac-  
9                    crued from the investment of income  
10                  described in subclause (I) or (II),

11                  except that any income described in sub-  
12                  clause (I), (II), or (III) which is distrib-  
13                  uted or expended for expenses (other than  
14                  for operations, maintenance, and capital  
15                  improvements) of the mutual ditch or irri-  
16                  gation company or of the like organization  
17                  to a mutual ditch or irrigation company  
18                  (as the case may be) shall be treated as  
19                  nonmember income in the year in which it  
20                  is distributed or expended. For purposes of  
21                  the preceding sentence, expenses (other  
22                  than for operations, maintenance, and cap-  
23                  ital improvements) include expenses for the  
24                  construction of conveyances designed to de-  
25                  liver water outside of the system of the

1 mutual ditch or irrigation company or of  
2 the like organization.

3 “(ii) TREATMENT OF ORGANIZA-  
4 TIONAL GOVERNANCE.—In the case of a  
5 mutual ditch or irrigation company or of a  
6 like organization to a mutual ditch or irri-  
7 gation company, where State law provides  
8 that such a company or organization may  
9 be organized in a manner that permits vot-  
10 ing on a basis which is pro rata to share  
11 ownership on corporate governance mat-  
12 ters, subparagraph (A) shall be applied  
13 without taking into account whether its  
14 member shareholders have one vote on cor-  
15 porate governance matters per share held  
16 in the corporation. Nothing in this clause  
17 shall be construed to create any inference  
18 about the requirements of this subsection  
19 for companies or organizations not in-  
20 cluded in this clause.”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to taxable years beginning after  
3 December 31, 2018.

Passed the House of Representatives July 24, 2018.

Attest:

KAREN L. HAAS,

*Clerk.*