

Union Calendar No. 664

115TH CONGRESS
2^D SESSION

H. R. 519

[Report No. 115–857]

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 2017

Mr. BUCK (for himself, Mr. GOSAR, Mr. TIPTON, Mrs. LOVE, and Mr. BISHOP
of Utah) introduced the following bill; which was referred to the Com-
mittee on Ways and Means

JULY 23, 2018

Additional sponsors: Mr. LAMBORN, Mr. NEWHOUSE, Mr. PERLMUTTER, Mr.
POLIS, Ms. CHENEY, Mr. COFFMAN, Ms. DEGETTE, Mrs. NAPOLITANO,
Mr. CURTIS, Mr. SCHWEIKERT, and Mr. SESSIONS

JULY 23, 2018

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on January 13, 2017]

A BILL

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,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Water and Agriculture*
5 *Tax Reform Act of 2018”.*

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

9 *(a) IN GENERAL.—Paragraph (12) of section 501(c)*
10 *of the Internal Revenue Code of 1986 is amended by adding*
11 *at the end the following new subparagraph:*

12 *“(J) TREATMENT OF MUTUAL DITCH IRRI-*
13 *GATION COMPANIES.—*

14 *“(i) IN GENERAL.—In the case of a*
15 *mutual ditch or irrigation company or of a*
16 *like organization to a mutual ditch or irri-*
17 *gation company, subparagraph (A) shall be*
18 *applied without taking into account any in-*
19 *come received or accrued—*

20 *“(I) from the sale, lease, or ex-*
21 *change of fee or other interests in real*
22 *and personal property, including inter-*
23 *ests in water,*

24 *“(II) from the sale or exchange of*
25 *stock in a mutual ditch or irrigation*

1 *company (or in a like organization to*
2 *a mutual ditch or irrigation company)*
3 *or contract rights for the delivery or*
4 *use of water, or*

5 *“(III) from the investment of pro-*
6 *ceeds from sales, leases, or exchanges*
7 *under subclauses (I) and (II),*

8 *except that any income received under sub-*
9 *clause (I), (II), or (III) which is distributed*
10 *or expended for expenses (other than for op-*
11 *erations, maintenance, and capital im-*
12 *provements) of the mutual ditch or irriga-*
13 *tion company or of the like organization to*
14 *a mutual ditch or irrigation company (as*
15 *the case may be) shall be treated as non-*
16 *member income in the year in which it is*
17 *distributed or expended. For purposes of the*
18 *preceding sentence, expenses (other than for*
19 *operations, maintenance, and capital im-*
20 *provements) include expenses for the con-*
21 *struction of conveyances designed to deliver*
22 *water outside of the system of the mutual*
23 *ditch or irrigation company or of the like*
24 *organization.*

1 “(i) *TREATMENT OF ORGANIZATIONAL*
2 *GOVERNANCE.—In the case of a mutual*
3 *ditch or irrigation company or of a like or-*
4 *ganization to a mutual ditch or irrigation*
5 *company, where State law provides that*
6 *such a company or organization may be or-*
7 *ganized in a manner that permits voting on*
8 *a basis which is pro rata to share owner-*
9 *ship on corporate governance matters, sub-*
10 *paragraph (A) shall be applied without tak-*
11 *ing into account whether its member share-*
12 *holders have one vote on corporate govern-*
13 *ance matters per share held in the corpora-*
14 *tion. Nothing in this clause shall be con-*
15 *strued to create any inference about the re-*
16 *quirements of this subsection for companies*
17 *or organizations not included in this*
18 *clause.”.*

19 (b) *EFFECTIVE DATE.—The amendment made by sub-*
20 *section (a) shall apply to taxable years beginning after De-*
21 *cember 31, 2018.*

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