

115TH CONGRESS
2D SESSION

H. R. 519

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:

Clerk.

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