

# Union Calendar No. 664

115TH CONGRESS  
2D 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.

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## 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                   “(ii) *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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