

116H807



(Original Signature of Member)

117TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

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

Mr. BUCK introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Internal Revenue Code of 1986 to facilitate  
water leasing and water transfers to promote conserva-  
tion 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 2021”.

1 **SEC. 2. FACILITATE WATER LEASING AND WATER TRANS-**  
2 **FERS TO PROMOTE CONSERVATION AND EF-**  
3 **FICIENCY.**

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

7 “(K) TREATMENT OF MUTUAL DITCH IRRI-  
8 GATION COMPANIES.—

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

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

24 “(II) any income received or ac-  
25 crued from the sale or exchange of  
26 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) any income received or ac-  
6 crued from the investment of income  
7 described in subclause (I) or (II),

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

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

19           (b) EFFECTIVE DATE.—The amendment made by  
20           subsection (a) shall apply to taxable years beginning after  
21           the date of the enactment of this Act.