

# Union Calendar No. 675

114<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4220

**[Report No. 114–862]**

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

DECEMBER 10, 2015

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

DECEMBER 8, 2016

Additional sponsors: Mr. COFFMAN, Mr. SIMPSON, Mr. LAMBORN, and Mr. POLIS

DECEMBER 8, 2016

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 December 10, 2015]

# **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 2016”.*

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 *“(I) 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, 2016.*

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