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),

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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

mutual ditch or irrigation company or of the like organization. "(ii) TREATMENT OF ORGANIZA-TIONAL GOVERNANCE.—In the case of a mutual ditch or irrigation company or of a like organization to a mutual ditch or irrigation company, where State law provides that such a company or organization may be organized in a manner that permits voting on a basis which is pro rata to share ownership on corporate governance mat-

10 11 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 included in this clause.". 20

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(b) EFFECTIVE DATE.—The amendment made by
subsection (a) shall apply to taxable years beginning after
December 31, 2018.

Passed the House of Representatives July 24, 2018. Attest:

Clerk.

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