

113TH CONGRESS
1ST SESSION

S. 1441

To amend the Internal Revenue Code of 1986 to facilitate water leasing
and water transfers to promote conservation and efficiency.

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2013

Mr. BENNET (for himself and Mr. CRAPO) introduced the following bill; which
was read twice and referred to the Committee on Finance

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 2013”.

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

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

14 “(I) from the sale, lease, or ex-
 15 change of fee or other interests in real
 16 property, including interests in water,

17 “(II) from the sale or exchange
 18 of stock in a mutual ditch or irriga-
 19 tion company or like organization or
 20 contract rights for the delivery or use
 21 of water, or

22 “(III) from the investment of
 23 proceeds from sales, leases, or ex-
 24 changes under subclauses (I) and (II),
 25 except that any income received under sub-
 26 clause (I), (II), or (III) which is distrib-

1 uted or expended for expenses (other than
2 for operations, maintenance, and capital
3 improvements) of the mutual ditch or irri-
4 gation company or like organization shall
5 be treated as nonmember income in the
6 year in which it is distributed or expended.
7 For purposes of the preceding sentence,
8 expenses (other than for operations, main-
9 tenance, and capital improvements) include
10 expenses for the construction of convey-
11 ances designed to deliver water outside of
12 the mutual ditch or irrigation company or
13 like organization system.

14 “(ii) TREATMENT OF ORGANIZA-
15 TIONAL GOVERNANCE.—In the case of a
16 mutual ditch or irrigation company or like
17 organization, where State law provides that
18 such a company or organization may be or-
19 ganized in a manner that permits voting
20 on a basis which is pro rata to share own-
21 ership on corporate governance matters,
22 subparagraph (A) shall be applied without
23 taking into account whether its member
24 shareholders have one vote on corporate
25 governance matters per share held in the

1 corporation. Nothing in this clause shall be
2 construed to create any inference about the
3 requirements of this subsection for compa-
4 nies or organizations not included in this
5 clause.”.

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

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