

118TH CONGRESS
1ST SESSION

H. R. 5325

To amend the Internal Revenue Code of 1986 to impose an excise tax on water use during droughts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 1, 2023

Mr. GALLEGRO (for himself and Mr. GRIJALVA) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Natural Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on water use during droughts, and for other purposes.

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 “Domestic Water Pro-
5 tection Act of 2023”.

1 **SEC. 2. EXCISE TAX ON GROWTH OF CERTAIN WATER-IN-**
 2 **TENSIVE CROPS.**

3 (a) IN GENERAL.—Subchapter D of chapter 32 of the
 4 Internal Revenue Code of 1986 is amended by inserting
 5 after part I the following new part:

6 **“PART II—WATER-INTENSIVE CROPS**

“Sec. 4171. Imposition of tax.

“Sec. 4172. Definitions.

“Sec. 4173. Special rules.

7 **“SEC. 4171. IMPOSITION OF TAX.**

8 “(a) IN GENERAL.—There is hereby imposed a tax
 9 on the sale of any specified water intensive crop by the
 10 manufacturer, producer, or exporter thereof a tax of 300
 11 percent of the price for which so sold.

12 “(b) PERSONS LIABLE FOR TAX.—The manufac-
 13 turer, producer, or exporter referred to in subsection (a)
 14 shall be liable for the tax imposed by such subsection.

15 “(c) REGULATIONS.—The Secretary shall promulgate
 16 regulations for application of this section in a manner con-
 17 sistent with international trade agreements.

18 **“SEC. 4172. DEFINITIONS.**

19 “(a) WATER-INTENSIVE CROP.—For purposes of this
 20 part—

21 “(1) IN GENERAL.—The term ‘water-intensive
 22 crop’ means a crop grown—

23 “(A) in an area experiencing prolonged
 24 drought at the time such crop is grown, and

1 “(B) by a manufacturer, producer, or ex-
2 porter which is a nonresident alien individual,
3 foreign corporation, foreign government, or for-
4 eign trust.

5 “(b) AREA EXPERIENCING PROLONGED
6 DROUGHT.—The term ‘area experiencing prolonged
7 drought’ means an area which has been identified by the
8 United States Drought Monitor as experiencing severe, ex-
9 tremes, or exceptional drought lasting more than 6 months.

10 **“SEC. 4173. SPECIAL RULES.**

11 “In the case of any water-intensive crop which is
12 manufactured or produced by including one or more other
13 water-intensive crops, no tax shall be imposed under this
14 section on any water-intensive crop contained in the re-
15 sulting specified water-intensive crop if tax was previously
16 imposed under this section on such water-intensive crop
17 when contained in the water-intensive crop so included.”.

18 (b) DROUGHT TRUST FUND.—

19 (1) IN GENERAL.—Subchapter A of chapter 98
20 of the Internal Revenue Code of 1986 is amended by
21 adding at the end the following new section:

22 **“SEC. 9512. DROUGHT TRUST FUND.**

23 “(a) CREATION OF TRUST FUND.—There is estab-
24 lished in the Treasury of the United States a trust fund
25 to be known as the ‘Drought Trust Fund’, consisting of

1 such amounts as may be appropriated or credited to such
2 fund as provided in this section or section 9602(b).

3 “(b) TRANSFERS TO TRUST FUND.—There are here-
4 by appropriated to the Drought Trust Fund amounts
5 equivalent to the taxes received in the Treasury under sec-
6 tion 4171(a).

7 “(c) EXPENDITURES.—Amounts in the Drought
8 Trust Fund shall be available, as provided in appropria-
9 tion Acts, for making expenditures to carry out the pur-
10 poses of the WaterSmart Drought Response Program es-
11 tablished under section 9504 of the Omnibus Public Land
12 Management Act of 2009.”.

13 (c) CONFORMING AMENDMENTS.—

14 (1) Section 4221(a) of such Code is amended
15 by adding at the end the following: “Paragraphs (1),
16 (4), (5), and (6) shall not apply to the tax imposed
17 under section 4171.”.

18 (2) The table of parts for subchapter D of
19 chapter 32 of such Code is amended by inserting
20 after the item relating to part I the following new
21 item:

22 “Part II. Water-intensive crops.”.

23 (3) The table of sections for subchapter A of
24 chapter 98 of the Internal Revenue Code of 1986 is

1 amended by adding at the end the following new
2 item:

“Sec. 9512. Drought Trust Fund.”

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to sales after the date of the enact-
5 ment of this Act.

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