

103^D CONGRESS
1ST SESSION

H. R. 498

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase and installation of water conservation systems on farm land.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1993

Mr. CONDIT (for himself and Mr. DOOLEY) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for the purchase and installation of water conservation systems on farm land.

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 “Agricultural Water
5 Conservation Act of 1993”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds that—

1 (1) the Federal Government has an historic
2 commitment to assisting areas of the Nation in need
3 of developing adequate water supplies,

4 (2) water is becoming increasingly scarce and
5 expensive in many parts of the United States, which
6 is compounded when multiple years of drought
7 occur,

8 (3) in most areas of the United States, farms
9 are overwhelmingly the largest water consumers, and

10 (4) it is in the national interest for farmers to
11 implement water conservation measures which are a
12 least-cost approach to addressing critical water
13 needs and for the Federal Government to promote
14 such conservation measures.

15 **SEC. 3. CREDIT FOR PURCHASE AND INSTALLATION OF**
16 **WATER CONSERVATION SYSTEMS ON FARM**
17 **LAND.**

18 (a) IN GENERAL.—Subpart B of part IV of sub-
19 chapter A of chapter 1 of the Internal Revenue Code of
20 1986 (relating to foreign tax credit, etc.) is amended by
21 adding at the end the following new section:

22 **“SEC. 30A. PURCHASE AND INSTALLATION OF WATER CON-**
23 **SERVATION SYSTEMS ON FARM LAND.**

24 “(a) ALLOWANCE OF CREDIT.—There shall be al-
25 lowed as a credit against the tax imposed by this chapter

1 for the taxable year an amount equal to 75 percent of the
2 water conservation system expenses paid or incurred by
3 the taxpayer during such year.

4 “(b) WATER CONSERVATION SYSTEM EXPENSES.—
5 For purposes of this section—

6 “(1) IN GENERAL.—The term ‘water conserva-
7 tion system expenses’ means expenses for the pur-
8 chase and installation of materials or equipment
9 which are primarily designed to substantially con-
10 serve water on farm land.

11 “(2) FARM LAND.—The term ‘farm land’
12 means land used in a trade or business by the tax-
13 payer or a tenant of the taxpayer for—

14 “(A) the production of crops, fruits, or
15 other agricultural products,

16 “(B) the raising, harvesting, or growing of
17 trees, or

18 “(C) the sustenance of livestock.

19 “(c) LIMITATION BASED ON AMOUNT OF TAX.—

20 “(1) LIABILITY FOR TAX.—The credit allowable
21 under subsection (a) for any taxable year shall not
22 exceed the excess (if any) of—

23 “(A) the regular tax for the taxable year,
24 reduced by the sum of the credits allowable

1 under subpart A and the preceding sections of
2 this subpart, over

3 “(B) the tentative minimum tax for the
4 taxable year.

5 “(2) CARRYFORWARD OF UNUSED CREDIT.—If
6 the amount of the credit allowable under subsection
7 (a) for any taxable year exceeds the limitation under
8 paragraph (1) for the taxable year, the excess shall
9 be carried to the succeeding taxable year and added
10 to the amount allowable as a credit under subsection
11 (a) for such succeeding taxable year.

12 “(d) ADDITIONAL LIMITATIONS.—

13 “(1) APPROVED WATER CONSERVATION
14 PLAN.—Subsection (a) shall not apply to any ex-
15 pense unless—

16 “(A) the taxpayer has in effect a water
17 conservation plan which has been reviewed and
18 approved by the Soil Conservation Service of
19 the Department of Agriculture, and

20 “(B) such expense is consistent with such
21 plan.

22 “(2) DROUGHT AREA.—Subsection (a) shall not
23 apply to any expense unless the land on which the
24 water conservation system is installed is entirely in
25 an area which has been identified, in the taxable

1 year or in any of the 3 preceding taxable years, as
2 an area of extreme drought severity on the Palmer
3 Drought Severity Index published by the National
4 Oceanic and Atmospheric Administration.

5 “(e) DENIAL OF DOUBLE BENEFIT.—No deduction
6 shall be allowed under this chapter with respect to any
7 expense which is taken into account in determining the
8 credit under this section, and any increase in the basis
9 of any property which would (but for this subsection) re-
10 sult from such expense shall be reduced by the amount
11 of credit allowed under this section for such expense.”

12 (b) TECHNICAL AMENDMENT.—Subsection (a) of
13 section 1016 of such Code is amended by striking “and”
14 at the end of paragraph (25), by striking the period at
15 the end of paragraph (26) and inserting “; and”, and by
16 adding at the end thereof the following new paragraph:

17 “(27) to the extent provided in section 30A(e),
18 in the case of amounts with respect to which a credit
19 has been allowed under section 30A.”

20 (c) CLERICAL AMENDMENT.—The table of sections
21 for subpart B of part IV of subchapter A of chapter 1
22 of such Code is amended by adding at the end the follow-
23 ing new item:

“Sec. 30A. Purchase and installation of water conservation sys-
tems on farm land.”

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to amounts paid or incurred after
3 the date of the enactment of this Act, in taxable years
4 ending after such date.

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