

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1820

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

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 1995

Mr. CONDIT introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

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

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”.

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 ad-  
12 dress water conservation needs and for the Federal  
13 Government to promote such conservation measures.

14 **SEC. 3. CREDIT FOR PURCHASE AND INSTALLATION OF AG-**  
15 **RICULTURAL WATER CONSERVATION SYS-**  
16 **TEMS.**

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

21 **“SEC. 30A. PURCHASE AND INSTALLATION OF AGRICUL-**  
22 **TURAL WATER CONSERVATION SYSTEMS.**

23 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
24 gible taxpayer, there shall be allowed as a credit against  
25 the tax imposed by this chapter for the taxable year an

1 amount equal to 30 percent of the water conservation sys-  
2 tem expenses paid or incurred by the taxpayer during such  
3 year.

4 “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
5 section (a) with respect to any water conservation system  
6 shall not exceed the product of \$500 and the number of  
7 acres served by such system.

8 “(c) DEFINITIONS.—For purposes of this section—

9 “(1) ELIGIBLE TAXPAYER.—The term ‘eligible  
10 taxpayer’ means any taxpayer if—

11 “(A) at least 50 percent of such taxpayer’s  
12 gross income is normally derived from a trade  
13 or business referred to in paragraph (3)(C),  
14 and

15 “(B) such taxpayer complies with all Fed-  
16 eral, State, and local water rights and environ-  
17 mental laws.

18 “(2) WATER CONSERVATION SYSTEM EX-  
19 PENSES.—

20 “(A) IN GENERAL.—The term ‘water con-  
21 servation system expenses’ means expenses for  
22 the purchase and installation of a water con-  
23 servation system but only if—

24 “(i) the land served by the water is  
25 entirely in an area which has been identi-

1           fied, in the taxable year or in any of the  
2           3 preceding taxable years, as an area of—

3                   “(I) extreme drought severity on  
4                   the Palmer Drought Severity Index  
5                   published by the National Oceanic  
6                   and Atmospheric Administration, or

7                   “(II) water shortage (due to in-  
8                   creasing demands, limited supplies, or  
9                   limited storage) by the Natural Re-  
10                  sources Conservation Service of the  
11                  Department of Agriculture or the Bu-  
12                  reau of Reclamation of the Depart-  
13                  ment of the Interior,

14                 “(ii) the taxpayer has in effect a  
15                 water conservation plan which has been re-  
16                 viewed and approved by such Service and  
17                 Bureau,

18                 “(iii) such expenses are consistent  
19                 with such plan, and

20                 “(iv) there is an irrigation water sav-  
21                 ings of at least 5 percent which is attrib-  
22                 utable to such system.

23                 For purposes of clause (iv), water savings shall  
24                 be determined and verified under regulations  
25                 prescribed jointly by such Service and Bureau.

1           “(B) WATER CONSERVATION SYSTEM.—

2           The term ‘water conservation system’ means  
3           materials or equipment which are primarily de-  
4           signed to substantially conserve irrigation water  
5           used or to be used on farm land.

6           “(C) FARM LAND.—The term ‘farm land’  
7           means land used in a trade or business by the  
8           taxpayer or a tenant of the taxpayer for—

9                   “(i) the production of crops, fruits, or  
10                  other agricultural products,

11                   “(ii) the raising, harvesting, or grow-  
12                  ing of trees, or

13                   “(iii) the sustenance of livestock.

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

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

18                           “(A) the regular tax for the taxable year,  
19                          reduced by the sum of the credits allowable  
20                          under subpart A and the preceding sections of  
21                          this subpart, over

22                           “(B) the tentative minimum tax for the  
23                          taxable year.

24                   “(2) CARRYFORWARD OF UNUSED CREDIT.—If  
25                  the amount of the credit allowable under subsection

1 (a) for any taxable year exceeds the limitation under  
2 paragraph (1) for the taxable year, the excess shall  
3 be carried to the succeeding taxable year and added  
4 to the amount allowable as a credit under subsection  
5 (a) for such succeeding taxable year.

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

13 (b) TECHNICAL AMENDMENT.—Subsection (a) of  
14 section 1016 of such Code is amended by striking “and”  
15 at the end of paragraph (24), by striking the period at  
16 the end of paragraph (25) and inserting “; and”, and by  
17 adding at the end thereof the following new paragraph:

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

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

“Sec. 30A. Purchase and installation of agricultural water con-  
servation systems.”

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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