

112TH CONGRESS
2D SESSION

S. 3650

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

NOVEMBER 29, 2012

Mr. UDALL of Colorado (for himself, Mr. CRAPO, Mr. BENNET, and Mr. BAR-RASSO) 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 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Ditch and Irrigation
5 Company Tax Reform Act”.

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 OR
 8 IRRIGATION 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 operations and maintenance of the mutual
3 ditch or irrigation company or like organi-
4 zation shall be treated as non-member in-
5 come in the year in which it is distributed
6 or expended. For purposes of the preceding
7 sentence, expenses other than operations
8 and maintenance include expenses for the
9 construction of conveyances designed to de-
10 liver water outside of the mutual ditch or
11 irrigation company or like organization
12 system.

13 “(ii) TREATMENT OF ORGANIZA-
14 TIONAL GOVERNANCE.—In the case of a
15 mutual ditch or irrigation company or like
16 organization, where State law provides that
17 such a company or organization may be or-
18 ganized in a manner that permits voting
19 on a basis which is pro-rata to share own-
20 ership on corporate governance matters,
21 subparagraph (A) shall be applied without
22 taking into account whether its member
23 shareholders have one vote on corporate
24 governance matters per share held in the
25 corporation. Nothing in this clause shall be

1 construed to create any inference about the
2 requirements of this subsection for compa-
3 nies or organizations not included in this
4 clause.”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
6 this section shall apply to taxable years beginning after
7 the date of the enactment of this Act.

○