

113TH CONGRESS  
1ST SESSION

# H. R. 3023

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

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2013

Mr. GARDNER (for himself, Mr. MATHESON, and Mr. STEWART) 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 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 “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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