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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. BARRASSO) introduced the following bill; which was read twice and referred to the Committee on Finance

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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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Ditch and Irrigation Company Tax Reform Act''.

SEC. 2. FACILITATE WATER LEASING AND WATER TRANSFERS TO PROMOTE CONSERVATION AND EFFICIENCY.

(a) IN GENERAL.—Paragraph (12) of section 501(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(I) TREATMENT OF MUTUAL DITCH OR IRRIGATION COMPANIES.—

"(i) IN GENERAL.—In the case of a mutual ditch or irrigation company or like organization, subparagraph (A) shall be applied without taking into account any income received or accrued—

"(I) from the sale, lease, or exchange of fee or other interests in real property, including interests in water,

"(II) from the sale or exchange of stock in a mutual ditch or irrigation company or like organization or contract rights for the delivery or use of water, or

"(III) from the investment of proceeds from sales, leases, or exchanges under subclauses (I) and (II),

except that any income received under subclause (I), (II), or (III) which is distrib-

uted or expended for expenses other than operations and maintenance of the mutual ditch or irrigation company or like organization shall be treated as non-member income in the year in which it is distributed or expended. For purposes of the preceding sentence, expenses other than operations and maintenance include expenses for the construction of conveyances designed to deliver water outside of the mutual ditch or irrigation company or like organization system.

''(ii) TREATMENT OF ORGANIZATIONAL GOVERNANCE.—In the case of a mutual ditch or irrigation company or like organization, where State law provides that such a company or organization may be organized in a manner that permits voting on a basis which is pro-rata to share ownership on corporate governance matters, subparagraph (A) shall be applied without taking into account whether its member shareholders have one vote on corporate governance matters per share held in the corporation. Nothing in this clause shall be

construed to create any inference about the requirements of this subsection for companies or organizations not included in this clause.''.

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

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