AMENDMENT TO RULES COMMITTEE PRINT 115-85

OFFERED BY MR. BUCK OF COLORADO

Page 191, after line 12, insert the following:

TITLE VI—TREATMENT OF MUTUAL DITCH IRRIGATION COMPANIES

SEC. 601. 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:

“(J) TREATMENT OF MUTUAL DITCH IRRIGATION COMPANIES.—

“(i) In General.—In the case of a mutual ditch or irrigation company or of a like organization to a mutual ditch or irrigation company, subparagraph (A) shall be applied without taking into account—

“(I) any income received or accrued from the sale, lease, or exchange of fee or other interests in real
and personal property, including interests in water (other than income derived from the sale, lease, or transfer of water to nonmembers outside the river basin or basins within which the mutual ditch or irrigation company operates),

“(II) any income received or accrued from the sale or exchange of stock in a mutual ditch or irrigation company (or in a like organization to a mutual ditch or irrigation company) or contract rights for the delivery or use of water, or

“(III) any income received or accrued from the investment of income described in subclause (I) or (II), except that any income described in subclause (I), (II), or (III) which is distributed or expended for expenses (other than for operations, maintenance, and capital improvements) of the mutual ditch or irrigation company or of the like organization to a mutual ditch or irrigation company (as the case may be) shall be treated as
nonmember income in the year in which it is distributed or expended. For purposes of the preceding sentence, expenses (other than for operations, maintenance, and capital improvements) include expenses for the construction of conveyances designed to deliver water outside of the system of the mutual ditch or irrigation company or of the like organization.

“(ii) Treatment of organizational governance.—In the case of a mutual ditch or irrigation company or of a like organization to a mutual ditch or irrigation company, 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 amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2018.