



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 26, 2016

H.R. 4220
Water and Agriculture Tax Reform Act of 2016
As ordered reported by the House Committee on Ways and Means on September 21, 2016

H.R. 4220 would amend the Internal Revenue Code to allow tax-exempt ditch or irrigation entities, which provide water storage and delivery services, to earn income from certain property without affecting their tax-exempt status. Under current law, in order to maintain tax-exempt status, at least 85 percent of the income of such entities must be in the form of collections from members for the purpose of meeting losses and expenses. Under H.R. 4220, income from the sale of certain property to nonmembers would not count towards the 85 percent test as long as it is used for certain operational costs, maintenance, or capital improvements.

The staff of the Joint Committee on Taxation (JCT) estimates that the legislation would reduce revenues by about \$40 million over the 2016-2026 period.

The Statutory Pay-As-You Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting revenues and direct spending. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table. Enacting the bill would not affect direct spending.

CBO Estimate of Pay-As-You-Go Effects for H.R. 4220, as ordered reported by the House Committee on Ways and Means on September 21, 2016.

	By Fiscal Year, in Millions of Dollars											2016- 2016-	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
NET INCREASE IN THE DEFICIT													
Statutory Pay-As-You-Go Effects	0	3	4	4	4	4	4	4	4	4	5	18	40

Source: Staff of the Joint Committee on Taxation.

Note: Components may not add to totals due to rounding.

JCT and CBO estimate that enacting the bill would not increase net direct spending in any of the four consecutive 10-year periods beginning in 2027 and would not increase on-budget deficits by more than \$5 billion in any of those periods.

JCT has determined that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Peter Huether. The estimate was approved by John McClelland, Assistant Director for Tax Analysis.