



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 28, 2018

H.R. 519 **Water and Agriculture Tax Reform Act of 2018**

As ordered reported by the House Committee on Ways and Means on June 21, 2018

H.R. 519 would amend the Internal Revenue Code by modifying the tax exemption requirements for mutual ditch and irrigation companies. The bill excludes certain types of income when determining whether those companies qualify for a federal income tax exemption in a given year, potentially qualifying more of those companies for the exemption. Under current law, to qualify for the tax exemption, at least 85 percent of the company's income must be collected to meet losses and expenses. The bill generally excludes certain types of income – such as from the sale or lease of property, the sale of stock in a mutual ditch or irrigation company, and the investment of proceeds from those transactions – when determining if the 85-percent-of-income requirement is met. Thus, mutual ditch and irrigation companies can earn income on the sale of property and stock without affecting their tax-exempt status. The bill also broadens the corporate governance structures under which mutual ditch and irrigation companies are eligible for the federal tax exemption.

The staff of the Joint Committee on Taxation (JCT) estimates that enacting H.R. 519 would reduce revenues by \$39 million over the 2018-2028 period.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting revenues or direct spending. The net changes in revenues and direct spending that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to revenues and direct spending are subject to pay-as-you-go procedures.

CBO and JCT estimate that enacting the bill would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four 10-year periods beginning in 2028.

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 Cecilia Pastrone. The estimate was approved by Joshua Shakin, Unit Chief, Revenue Estimating.

CBO Estimate Of Pay-As-You-Go Effects for H.R. 519, as ordered reported by the House Committee on Ways and Means on June 21, 2018.

	By Fiscal Year, in Millions of Dollars												2018-	2018-
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028	
NET INCREASE IN THE ON-BUDGET DEFICIT														
Statutory Pay-As-You-Go Effects	0	3	3	4	4	4	4	4	4	4	4	18	39	

Source: Staff of the Joint Committee on Taxation.

Note: Components may not sum to total because of rounding.