

110TH CONGRESS  
1ST SESSION

# S. 499

To amend the Internal Revenue Code of 1986 to allow section 1031 treatment for exchanges involving certain mutual ditch, reservoir, or irrigation company stock.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 2007

Mr. SALAZAR (for himself and Mr. ALLARD) 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 allow section 1031 treatment for exchanges involving certain mutual ditch, reservoir, or irrigation company stock.

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. ALLOWANCE OF SECTION 1031 TREATMENT**  
4 **FOR EXCHANGES INVOLVING CERTAIN MU-**  
5 **TUAL DITCH, RESERVOIR, OR IRRIGATION**  
6 **COMPANY STOCK.**

7 (a) IN GENERAL.—Section 1031 of the Internal Rev-  
8 enue Code of 1986 (relating to exchange of property held

1 for productive use or investment) is amended by adding  
 2 at the end the following new subsection:

3 “(i) SPECIAL RULES FOR MUTUAL DITCH, RES-  
 4 ERVOIR, OR IRRIGATION COMPANY STOCK.—For purposes  
 5 of subsection (a)(2)(B), the term ‘stocks’ shall not include  
 6 shares in a mutual ditch, reservoir, or irrigation company  
 7 if at the time of the exchange—

8 “(1) the mutual ditch, reservoir, or irrigation  
 9 company is an organization described in section  
 10 501(c)(12)(A) (determined without regard to the  
 11 percentage of its income that is collected from its  
 12 members for the purpose of meeting losses and ex-  
 13 penses), and

14 “(2) the shares in such company have been rec-  
 15 ognized by the highest court of the State in which  
 16 such company was organized or by applicable State  
 17 statute as constituting or representing real property  
 18 or an interest in real property.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
 20 this section shall apply to transfers after the date of the  
 21 enactment of this Act.

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