

FACT SHEET 11

LANDHOLDING CHANGES

Reclamation Reform Act of 1982 (RRA)

This fact sheet details how the acreage limitation provisions, as established by the RRA, are applied when changes occur to a landholding. If you are unsure of the information discussed in this fact sheet, contact your district or the appropriate Bureau of Reclamation office, or see the **Sources for more information** section at the end of this fact sheet.

What is a landholding change?

Once RRA forms have been submitted for a water year, there are certain actions and situations that result in a change to the landholding (directly or indirectly owned or leased land). These actions are considered to be significant changes that trigger the **landholding change provisions** in the Acreage Limitation Rules and Regulations (43 CFR¹ part 426; Regulations), and result in the requirement for the affected landholder (direct or indirect owner or lessee) or landholders to submit a new standard RRA form within specific timeframes that accurately reflects the changes.

The following are considered to be landholding changes for acreage limitation purposes. Note that the following list **does not include** all possible changes which may require the submittal of a new standard RRA form. If you have questions about whether a specific change will require the submittal of a new standard RRA form, contact your district or the appropriate Reclamation office:

- Change in the **number of acres owned or leased**.
- Change in the **specific land parcels that are owned or leased**.
- Change in the **identity of a lessor or lessee**.
- Change in the **effective date or term (length) of a lease** (with the exception of certain annual leases).
- Change in the **acreage limitation status** of the landholder.
 - For example, a prior law provisions landholder becoming subject to the discretionary provisions, or a qualified recipient becoming a limited recipient.
- Change in the **identity** of the landholder.
 - For example, a change in marital status, the transfer of land to another landholder following the death of a landholder, or the transfer of land into (or out of) a trust.
- Change in the **Employer Identification Number (EIN)** of an entity landholder.
 - Following a change in EIN, the entity will be considered to be a new landholder. See the **Are there any exceptions to the landholding change requirements?** section of this fact sheet for more information on new landholders.
- Change in the **number of part owners** (of an entity) **or beneficiaries** (of a trust).
- Change in the **percentage of acreage of a legal entity's landholding that is attributed to any part owner** (of an entity) **or beneficiary** (of a trust).

¹ Code of Federal Regulations

- Change in **the number of excess acres**.
 - See Fact Sheet 17 (Excess Land) for requirements regarding redesignations of excess land (from nonexcess to excess, or vice versa).
- Change in the **lands selected to receive Reclamation irrigation water at the full-cost rate**.
- Change in the **classification of a legal entity** by the Internal Revenue Service (for example, from a partnership to a corporation, or vice versa).
- Transfer of **directly owned land from a landholder to a 100-percent family-owned entity**.
 - This does not include adding a “doing business as” (dba) name.

What are the landholding change provisions that are triggered following a landholding change?

Generally, the landholding change provisions require the **submission of a new standard RRA form** to all districts in which land is held (directly or indirectly owned or leased), and can also include verbal notification to the districts of the landholding change. There are two definitions that play a key role in knowing **when** to submit a new standard RRA form (and verbal notification, if applicable) required by the landholding change provisions. These terms are provided by the Regulations:

- An **irrigation season** is the period of time between **the district’s** first and last water delivery in any water year. (43 CFR 426.18[a])
- A **water year** is a 365-day period (or 366 days during leap years) whose start date is specified within a contract between Reclamation and the district or through some other agreement between Reclamation and the district. (43 CFR 426.2)

In a typical district that is subject to the acreage limitation provisions, an irrigation season will be in force for only a portion of a given water year. There will be a definite beginning and end to Reclamation irrigation water deliveries within the water year, as specified by the contract or other agreement that the district has with Reclamation. In those cases, the timing for submitting new RRA forms following a landholding change is dependent upon whether your district’s **irrigation season** is:

- Currently in force for the current water year,
- Will end within 60 calendar days following the date of the landholding change, or
- Has already ended for the current water year.

*If a landholding change occurs **during** an irrigation season the landholder must:*

- **Notify the district(s)**, either verbally or in writing, **within 30 calendar days** of the date of the landholding change, **AND**
- **Submit a new standard RRA form** to all districts where land is held **within 60 calendar days** of the date of the landholding change.
 - Multiple landholding changes can be identified on the same, new standard RRA form as long as it is received by the district within 60 calendar days of the date of the **earliest** landholding change.

*If a landholding change occurs **during** an irrigation season **and** the irrigation season will end **prior to** the 60th calendar day following the date of the landholding change, the landholder must:*

- **Submit a new standard RRA form** to all districts where land is held **prior to** receiving Reclamation irrigation water in any water year following the landholding change.

*If a landholding change occurs **outside** of an irrigation season, the landholder must:*

- **Submit a new standard RRA form** to all districts where land is held **prior to** receiving Reclamation irrigation water in any water year following the landholding change.

Are there any exceptions to the landholding change requirements?

There are some exceptions to the landholding change provisions, but only in very specific situations. The following are specific types of landholders and landholding situations that have exceptions associated with them.

New landholders:

A **new landholder** is an individual, legal entity, or public entity that now holds land in a district but did not hold land in that district during the water year immediately preceding the current water year. This includes existing entities that restructure or reestablish under a **new EIN**. A new landholder can also be a landholder who already holds land in a district and does not exceed that district's RRA forms submittal threshold, until a landholding change occurs which then causes the landholder to exceed the district's applicable RRA forms submittal threshold. See Fact Sheet 1 (RRA Forms) for more information on the RRA forms submittal thresholds.

- **A new landholder must submit a new standard RRA form** to all districts where land is held **prior to** receiving any Reclamation irrigation water.
 - The 60-calendar-day time period for submitting a new standard RRA form does not apply to a new landholder because no initial standard RRA form was ever submitted that shows where the landholding change occurred.
- Because different districts can have different RRA forms submittal thresholds, a single landholding change can create different required actions in different districts for a landholder that holds land in multiple districts. Depending on when the landholding change occurs, the landholder may:
 - Have 60 calendar days to submit a new standard RRA form in the district to which the landholder has already been submitting RRA forms, and
 - Be required to submit a standard RRA form as a new landholder prior to any Reclamation irrigation water deliveries in the other district, where the landholding change causes the landholder to exceed the district's RRA forms submittal threshold.

Indirect landholders:

Landholders whose entire landholding is comprised of land that is owned or leased **ONLY INDIRECTLY** through a legal entity must complete an initial standard RRA form. A landholder that holds land only indirectly (usually a part owner) is not required to submit any RRA forms in subsequent years **unless** one of the following occurs:

- The part owner purchases or leases land subject to the acreage limitation provisions in their own name (the part owner becomes a direct landholder),
- The part owner acquires additional land that is held indirectly through a legal entity,
- The entity (through which the part owner holds land) makes a change that results in an alteration to the information included on the part owner's previously submitted RRA form (such as the amount of acreage attributed to the part owner).
 - Any change in the amount of land attributed to a part owner, including beneficiaries of trusts or estates, is a landholding change regardless of which party initiated the action.
 - For example, if a trustee or grantor changes the amount of land held by a trust, the trust and any affected party that is attributed with land held by the trust must submit a new standard RRA form within the appropriate time period.
- The part owner's acreage limitation status or identity changes (for example, a change in marital status).
 - Note, a change to the acreage limitation status of an entity does not affect the acreage limitation status of its part owners.

The one-time RRA form submittal for landholders who hold land only indirectly (provided there are no circumstances requiring the submittal of subsequent RRA forms) **does not apply** to landholders that hold land both directly **AND** indirectly.

- Landholders who hold land both directly and indirectly are required to submit either a standard RRA form or a Form 7-21 VERIFY on an annual basis. Regardless of whether a landholder holds land only indirectly, or directly and indirectly, when new standard RRA forms are required they must be submitted within the appropriate time period (depending on the date of the landholding change in relation to the end of the current irrigation season, as described earlier in this fact sheet).

Landholder below the RRA forms submittal threshold:

A landholder who experiences a landholding change that causes the landholder's westwide (in the 17 Western States where Reclamation has projects) landholding to become less than the applicable RRA forms submittal threshold in a district is not affected by the landholding change provisions.

Subleases:

When a landholding change occurs between a **lessee** and a **sublessee**, the **lessor** (the party from whom the lessee leases the land) does not have to submit a new standard RRA form. It is the **lessee** and the **sublessee** that must each submit a new standard RRA form within 60 calendar days of the date of the landholding change, or prior to the start of the next irrigation season, as applicable.

Annual leases:

A “Verification of Landholdings” (Form 7-21 VERIFY) may be submitted instead of a new standard RRA form by a landholder with an **existing annual lease** (having an effective term of 12 months or less) who is **only** renewing or extending the annual lease for an additional term of 12 months or less and has experienced no other landholding changes. In order to use a Form 7-21 VERIFY for this circumstance, the following criteria must also be met:

- The lease being renewed **must have a clause** requiring the parties to annually agree to continue the lease, or the lease **must provide an annual opportunity** to withdraw from the lease.
- There can be **no change** to the lessor(s), the lessee(s), or the land being leased.
- Subleasing the land constitutes a landholding change (a change in the lessee) and requires the submittal of a new standard RRA form.

Surviving spouses:

No landholding change has occurred when a spouse dies and land **passes directly to the surviving spouse** (the land is not passed to a trust of which the surviving spouse is a beneficiary, even if only temporarily). However, if the land **does not pass directly to the surviving spouse** (the land is passed to a trust, an estate, or another ownership arrangement), then a **landholding change has occurred**.

In either case, the RRA form filed by the deceased landholder and the surviving spouse will remain valid for the duration of the current water year as long as there are no additional landholding changes. The surviving spouse is **not** required to submit a new standard RRA form for the remainder of the current water year **provided that**:

- An RRA form pertaining to the land has already been submitted to the appropriate water district(s) for the current water year,
- The land was eligible to receive Reclamation irrigation water while held by the deceased, **and**
- The land remains in the holding of the surviving spouse, or the entity/individual(s) to which the land was initially passed.

Before the surviving spouse (or trust, estate, or other ownership arrangement) receives Reclamation irrigation water during the water year immediately following the landholder’s death, **a new standard RRA form will be required**.

If any of the three criteria specified above are not met (for example, an RRA form was not submitted for the current water year, or the land passes from the surviving spouse's ownership to the ownership of another entity), then the landholding change provisions are **immediately applicable** and a new standard RRA form will be required prior to receiving Reclamation irrigation water.

Selection of full-cost land:

When **no other landholding changes have occurred AND** the landholder wants only to change the land previously selected by that landholder as full-cost, the landholder does not need to submit a new standard RRA form unless the landholder still needs to submit a standard RRA form (or a Form 7-21VERIFY, if applicable) to fulfill their annual RRA form submittal requirement. If the landholder has already submitted an RRA form for the current water year, submitting only a "Selection of Full-Cost Land" (Form 7-21FC) will suffice to reselect nonfull-cost/full-cost land **provided that:**

- The landholder has not already received Reclamation irrigation water during the water year in question on an amount of westwide landholding that equals or exceeds the landholder's applicable nonfull-cost entitlement; **AND**
- The land the landholder wants to reselect as nonfull-cost or full-cost **has not yet received** Reclamation irrigation water during the water year in question. The district must be able to verify that the land in question has not yet been irrigated with Reclamation irrigation water, or the original nonfull-cost/full-cost selection will stand.

Landholding change that occurs prior to first delivery of Reclamation irrigation water, and after an RRA form has been submitted for the current water year:

A landholder who has **not yet** started to receive Reclamation irrigation water, who has **already submitted** an RRA form for the upcoming irrigation season, **and** who then experiences a landholding change can make changes to the already-submitted RRA form instead of submitting a new standard RRA form. Changes to the already-submitted RRA form will be allowed **provided that:**

- The RRA form on which changes are being made is **not** a Form 7-21VERIFY.
 - If a Form 7-21VERIFY is the already-submitted RRA form for the upcoming irrigation season, a new standard RRA form must be submitted.
- Changes are made **only** until the time Reclamation irrigation water deliveries begin in the upcoming irrigation season. If further changes are needed after Reclamation irrigation water deliveries have begun, a new standard RRA form must be submitted.
- All changes are **dated and initialed** by the landholder.

Landholding changes in districts that have a continuous irrigation season:

There are some districts where the water year and the irrigation season are the same. In these districts, there is no break between the end of the irrigation season and the end of a water year.

- For example, District A's irrigation season ends at 11:59 p.m. on March 31st and the new irrigation season begins the next day at 12:00 a.m. on April 1st, which is also the start of the new water year.

In a district with a continuous irrigation season, the irrigation season is still in force during a water year, even though a landholder may not personally be receiving Reclamation irrigation water at any given time. The annual RRA form submittal requirement still applies and a new standard RRA form for the new water year (irrigation season) must be submitted before the landholder receives Reclamation irrigation water in the new water year. This is true even if 60 calendar days have not yet elapsed since the landholding change, regardless of whether the landholder is currently receiving Reclamation irrigation water.

- Building on the same example, assume a landholder in District A has a landholding change on March 1st. The landholder is not receiving Reclamation irrigation water when the landholding change occurs, but wants to start receiving Reclamation irrigation water again on April 5th. Even though the landholder’s landholding change occurs within 60 calendar days of March 31st (when District A’s current irrigation season ends), the landholder must submit a new RRA form for the new water year (irrigation season) before the landholder receives Reclamation irrigation water on April 5th in District A’s new water year.

Landholding changes for farm operators:

The initial RRA form submittal for certain farm operators must occur when applicable. Refer to the instructions for the “Declaration of Farm Operator Information” (Form 7-21FARMOP) for further information on RRA forms submittal requirements for farm operators and Fact Sheet 15 (Leases and Farm Operating Arrangements). However, because the clientele of a farm operator (and consequently the number of acres being serviced by the farm operator) can change multiple times during each irrigation season, the landholding change provisions do not apply to farm operators, as long as the farm operator is submitting **only** a Form 7-21FARMOP. In other words, if the farm operator is required to also submit the appropriate RRA form for landholdings outside of the farm operation (for example, land owned by the farm operator that is leased to another landholder), then the landholding change provisions will apply to the land held by the farm operator outside of the farm operation.

Sources for more information

More information for your landholding situation can be found in the following documents. Contact your district or the appropriate Reclamation office for further guidance.

Form 7-21INFO	General Information About the RRA Forms	The RRA Fact Sheets and the current water year’s RRA forms and instructions are available online and at your district or the appropriate Reclamation office.
Separate instructions to each RRA form applicable to your landholding situation		
RRA Fact Sheet 1	RRA Forms	
RRA Fact Sheet 5	Qualified Recipient RRA Forms	
RRA Fact Sheet 7	Limited Recipient RRA Forms	
RRA Fact Sheet 9	Prior Law Recipient RRA Forms	
RRA Fact Sheet 15	Leases and Farm Operating Arrangements	
RRA Fact Sheet 17	Excess Land	www.usbr.gov/rra
RRA website (including the RRA forms, District Reference Sources, and the text of the RRA and its associated Regulations)		