



United States Department of the Interior

BUREAU OF RECLAMATION
PO Box 25007
Denver, Colorado 80225-0007

IN REPLY REFER TO:

D-5200
LND-9.10

JUL 25 2003

Dear Ladies and Gentlemen:

Subject: Additional Issues Relating to Religious or Charitable Organizations – Reclamation Reform Act of 1982

This letter supplements the November 2, 2001, and May 21, 1998, district mailings that provided guidance for **administering** the provisions in the Acreage Limitation Rules and Regulations for religious or charitable organizations (43 CFR 426.9).

Specifically, what follows will provide the answers to the questions regarding:

1. Application of the October 1, 1981, date regarding the receipt of Bureau of Reclamation irrigation water and how it relates to certain religious or charitable organizations.
2. Application of the full-cost rate when a religious or charitable organization's farm operating agreement is determined to be a lease.

OCTOBER 1, 1981, DATE

How is the October 1, 1981, date set forth in section 205(a) of the Reclamation Reform Act of 1982 (RRA) and section 426.6(b) of the Acreage Limitation Rules and Regulations to be applied to a religious or charitable organization that does not meet all the criteria in section 219 of the RRA, and therefore, is treated as a limited recipient?

When an organization has an Internal Revenue Code 501 exemption, but does not meet the section 219 criteria **and** it is determined that the organization is a limited recipient, it must be determined when the organization first received Reclamation irrigation water. In determining if the organization received such water on or before October 1, 1981, Reclamation will look to the part of the organization that is completing the RRA form. If it is the central organization that completes the RRA form for itself and all its subdivisions, the **central organization** will need to specify if it received Reclamation irrigation water on or before October 1, 1981. If the answer is "yes," the organization's nonfull-cost entitlement is 320 acres. If the answer is "no," the organization's nonfull-cost entitlement is zero acres. Similarly, if a subdivision completes the RRA form for itself (*and possibly subdivisions of it*), the **subdivision** that submits the form will need to specify if it received Reclamation irrigation water on or before October 1, 1981. Again, if the answer is "yes," its nonfull-cost entitlement is 320 acres, and if the answer is "no," its nonfull-cost entitlement is zero acres. The date that any other part of the organization received Reclamation irrigation water is irrelevant.

FARM OPERATING AGREEMENT IS DETERMINED TO BE A LEASE

A religious or charitable organization claims it has a farm operating arrangement. Upon reviewing the arrangement, Reclamation determines that it is actually a lease. Further, it is determined that the organization is a limited recipient and its nonfull-cost entitlement is zero acres. Will the organization be given an opportunity to correct its farming arrangement before the full-cost rate is applied?

No grace period will be provided before assessing full cost charges. If the landholders in this situation were not religious or charitable organizations, a determination that a farm operating arrangement is a lease would result in the assessment of the full-cost rate prospectively (*until the arrangement is changed so that it is no longer a lease*) and retroactively for Reclamation irrigation water delivered to land in excess of the applicable nonfull-cost entitlement. Religious and charitable organizations will be treated in the same manner.

If you have any questions concerning religious or charitable organizations and the acreage limitation provisions, contact the appropriate Reclamation office.

Sincerely,



Luis Maez, Manager
Reclamation Law and Revenues
Management Office