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MEMORANDUM

To: All Irrigation Districts Subject to the Acreage Limitation Provisions of Reclamation Law

From: J. Austin Burke  
Director, Program Analysis Office



Subject: Application of the Acreage Limitation Provisions to "Joint Ventures" and "Holding Partnerships"

Attached is a document providing clarification of the above subject. Pursuant to the Acreage Limitation Rules and Regulations (43 CFR Part 426), entity landholders' entitlements vary, especially for those entities subject to prior law provisions. Therefore, ascertaining the type of entity when determining an entity's entitlement may be particularly important.

Please note that the attached document does not supersede any existing guidance. Since the acreage limitation provisions of Reclamation law do not specifically address how the subject entities should be treated, the attached document provides supplemental information to assist in the administration of the Acreage Limitation Rules and Regulations. In order to ensure westwide consistency, any questions should be directed to the Bureau of Reclamation office responsible for your district.

Attachment

HOW TO TREAT "JOINT VENTURES" AND "HOLDING PARTNERSHIPS"  
Reclamation Reform Act of 1982 (RRA)

**Question:** What is a "joint venture?"

**Response:** A "joint venture" is, "...an association of two or more persons to carry out one or a few transactions for profit, or for commercial gain or benefit." (Agency - Partnership in a Nutshell; Roscoe T. Steffen; West Publishing Company; 1977).

**Question:** Are "joint ventures" legal entities?

**Response:** Yes, for acreage limitation purposes.

**Question:** What type of entity are "joint ventures?"

**Response:** "Joint ventures" should be treated like partnerships. "Joint ventures" are considered partnerships for Federal income tax purposes, as directed by the Internal Revenues Code (26 U.S.C.A. 7701), regulation (26 CFR §1.761-1).

**Question:** What are the entitlements of "joint ventures?"

**Response:** Entitlements of "joint ventures" under both the discretionary and prior law provisions are as follows:

Acreage Limitation Status	Natural Persons Benefiting from the "Joint Venture"	Are the "Joint Venture's" Interests			Entitlement of "Joint Venture:"
		Separate	Alienable	Equal	
Discretionary Provisions	25 or less				Qualified recipient
Discretionary Provisions	26 or more				Limited recipient
Prior Law Provisions		YES	YES	YES	160 acres per joint venturer
Prior Law Provisions		NO	NO	N/A	160 total acres
Prior Law Provisions		YES	YES	NO	Determined by each part owner's relative interest in the "joint venture"

**Question:** What is a “holding partnership”?

**Response:** It is a partnership (formed by landholders) that is attributed with the landholders’ interests in other operating partnerships. Such landholders become the “holding partnership’s” part owners.

**Question:** Are “holding partnerships” legal entities?

**Response:** Yes, for acreage limitation purposes. The “holding partnership” becomes a partner in the operating partnerships because of the interests attributed to it by its part owners. Depending on how the part owners’ interests are given to the “holding partnership,” the “holding partnership” becomes either a direct or indirect holder of such land.

**Question:** Are “holding partnerships” subject to acreage limitation provisions?

**Response:** Yes, if they hold (directly or indirectly own or lease) land that is subject to those provisions. In addition, “holding partnerships” are subject to RRA forms requirements because of their status as direct or indirect landholders.

**Question:** What are the entitlements of “holding partnerships”?

**Response:** Entitlements of “holding partnerships” under both the discretionary and prior law provisions are detailed in the following table. As with any entity that is subject to acreage limitation provisions, if a “holding partnership” exceeds its entitlement(s), its part owners are required to take the proper action(s) with regard to designating excess land or selecting full-cost land, even if the part owners or corresponding operating partnerships do not exceed their own entitlements.

Acreage Limitation Status	Natural Persons Benefiting from the “Holding Partnership”	Are the “Holding Partnership’s” Interests			Entitlement of “Holding Partnership”
		Separate	Alienable	Equal	
Discretionary Provisions	25 or less				Qualified recipient
Discretionary Provisions	26 or more				Limited recipient
Prior Law Provisions		YES	YES	YES	160 acres per part owner
Prior Law Provisions		NO	NO	N/A	160 total acres
Prior Law Provisions		YES	YES	NO	Determined by each part owner’s relative interest in the “holding partnership”