



United States Department of the Interior

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

IN REPLY REFER TO:

D-5300
LND-9.00

DEC 27 2004

Subject: Application of the Acreage Limitation Provisions for Trusts That Wholly Own a Legal Entity or Have a Legal Entity as a Sole Beneficiary, Reclamation Reform Act of 1982

Dear Ladies and Gentleman:

The purpose of this letter is to provide guidance for applying the Reclamation Reform Act of 1982 (RRA) acreage limitation provisions and the associated forms requirements to trusts that either wholly own a legal entity or have a legal entity as a sole beneficiary.

Trusts are considered to be *legal entities* as defined in the Acreage Limitation Rules and Regulations (Regulations, 43 CFR¹ part 426.2): “* * * For purposes of the information requirements specified in § 426.18 only, trusts will be considered to be legal entities.”

The Regulations specify that the ultimate parent legal entity must disclose all direct and indirect landholdings of its subsidiaries on certification or reporting forms. A wholly owned subsidiary is exempted from submitting certification or reporting forms, if its ultimate parent legal entity has properly filed such forms disclosing the landholdings of each of its subsidiaries.

The enclosed flowcharts illustrate the answers to the following three questions that have been asked concerning the RRA forms requirements of trusts when a legal entity is involved.

Flowchart 1: “RRA Forms Requirements When a Trust Wholly Owns an Entity”

Question A: Can a trust that wholly owns a legal entity be considered to be an “ultimate parent entity” for RRA forms submittal purposes?

Answer A: Yes.

Question B: What are the RRA forms requirements for a trust and a legal entity in a situation where the trust wholly owns the entity?

Answer B: In this situation, the trust is considered to be the ultimate parent entity of the legal entity in question. Therefore:

- The trust must submit a Form 7-21TRUST (Declaration of Trust’s or Estate’s Landholdings);

¹ Code of Federal Regulations, part 426

- As the ultimate parent entity of the wholly-owned legal entity, the trust must declare on its Form 7-21TRUST the direct landholdings of the wholly-owned legal entity (those landholdings must be reported as “directly owned” or “directly leased” by the trust);
 - All land indirectly owned or indirectly leased by the trust’s wholly owned entity must be listed in item 14 of the trust’s Form 7-21TRUST;
 - All land held (directly or indirectly owned or leased) by the trust must be attributed to the appropriate landholder(s) in accordance with 43 CFR 426.7(b) and included on any RRA forms required to be submitted by that landholder(s) (e.g., beneficiaries, trustees, or grantors); and
 - The legal entity, as a wholly-owned entity of the trust, is not required to submit its own RRA form.
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Flowchart 2: “RRA Forms Requirements When an Entity is the Sole Beneficiary of a Trust”

Question C: What are the RRA forms requirements for a trust and a legal entity in a situation where the entity is the sole beneficiary of the trust?

Answer C: In this situation, because all trusts whose westwide landholdings exceed the applicable RRA form submittal threshold must submit RRA forms, the legal entity cannot be treated as the ultimate parent legal entity for RRA forms submittal purposes. Therefore,

- The trust must submit a Form 7-21TRUST,
- The legal entity, as the sole beneficiary of the trust, must submit either a Form 7-2181 (Certification of Entity’s Landholdings) or a Form 7-2191 (Report of Entity’s Landholdings) as appropriate (assuming attribution is to the beneficiary), and
- Any part-owners of the entity must each submit the appropriate RRA form.

If you have any questions, please contact your appropriate Reclamation office.

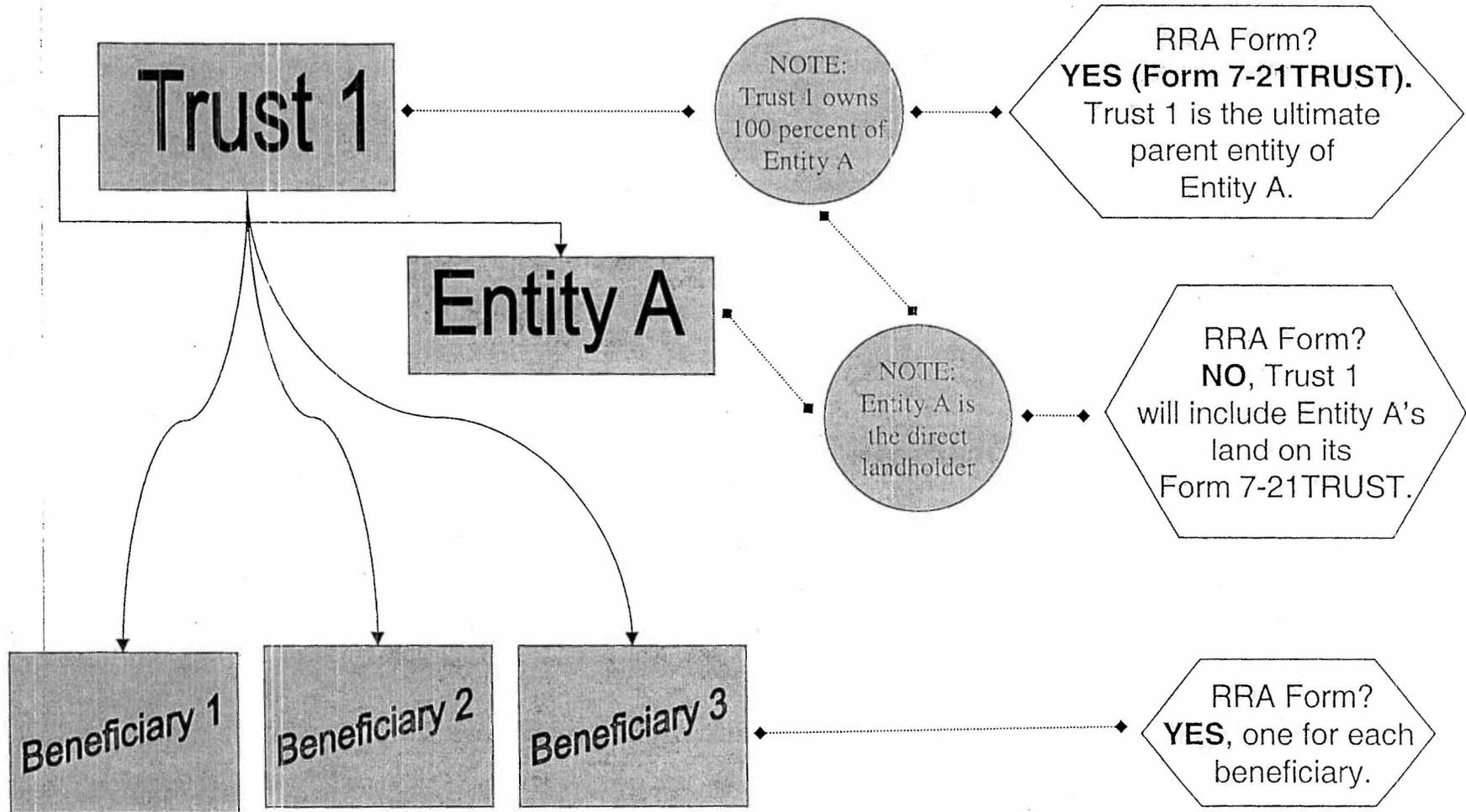
Sincerely,

/s/ RICHARD W. RIZZI

Richard W. Rizzi, Manager
Land Resources Office

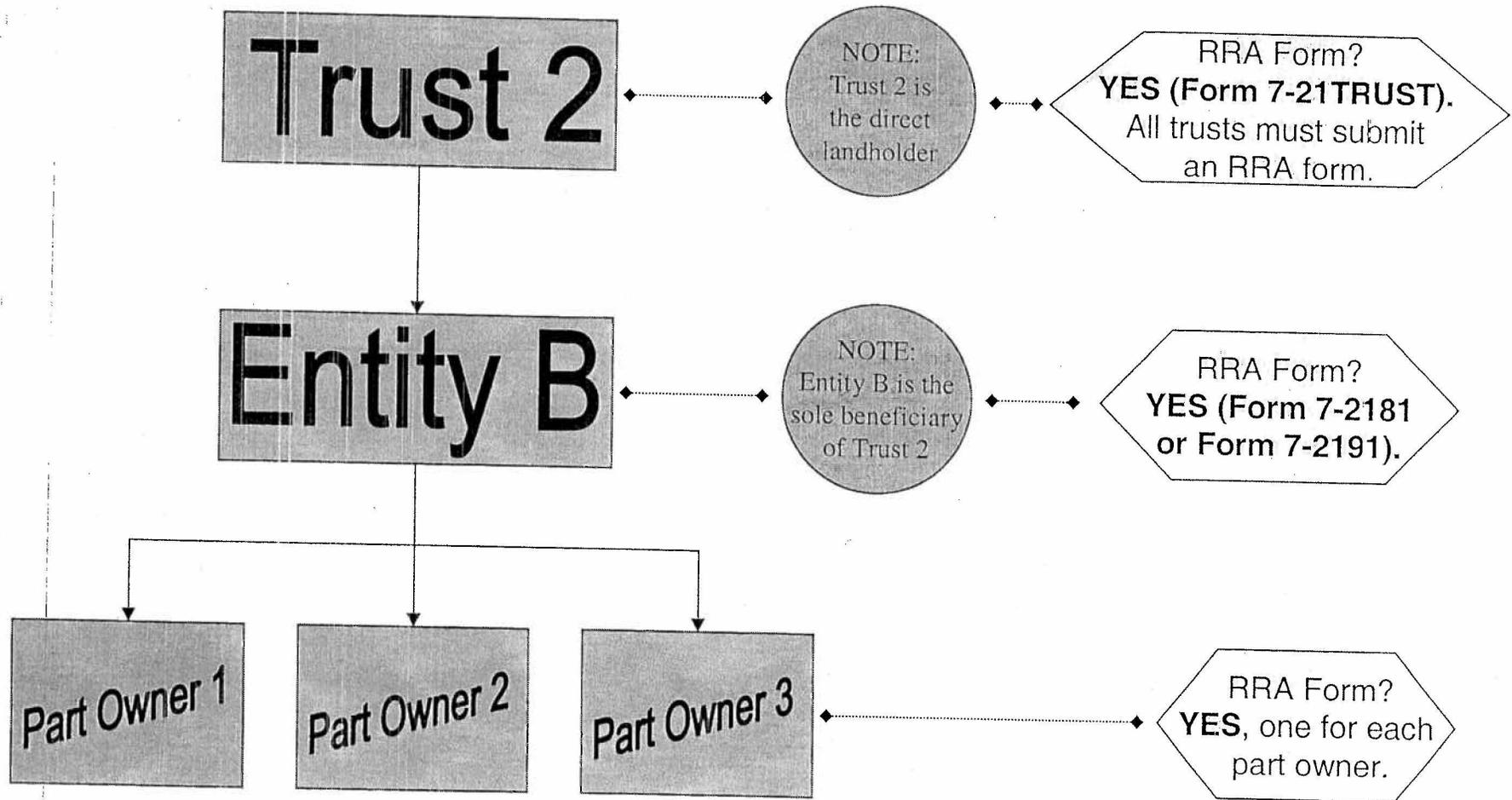
Enclosures (2)

Flowchart 1: RRA Forms Requirements When a Trust Wholly Owns an Entity *



* Assumes all landholders have westwide landholdings that exceed the applicable RRA forms submittal thresholds and attribution is to the beneficiaries.

Flowchart 2: RRA Forms Requirements When an Entity is the Sole Beneficiary of a Trust*



* Assumes all landholders have westwide landholdings that exceed the applicable RRA forms submittal thresholds and attribution is to the beneficiaries.