118TH CONGRESS 1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to impose an excise tax on water use during droughts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. Gallego introduced the following bill; which was referred to the Committee on ___________________________

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on water use during droughts, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Domestic Water Pro-
tection Act of 2023”.

[117H9194]

(Original Signature of Member)
SEC. 2. EXCISE TAX ON GROWTH OF CERTAIN WATER-IN-
TENSIVE CROPS.

(a) In General.—Subchapter D of chapter 32 of the 
Internal Revenue Code of 1986 is amended by inserting 
after part I the following new part:

“PART II—WATER-INTEGRENSIVE CROPS

Sec. 4171. Imposition of tax.
Sec. 4172. Definitions.
Sec. 4173. Special rules.

“SEC. 4171. IMPOSITION OF TAX.

“(a) In General.—There is hereby imposed a tax 
on the sale of any specified water intensive crop by the 
manufacturer, producer, or exporter thereof a tax of 300 
percent of the price for which so sold.

“(b) Persons LIABLE FOR TAX.—The manufac-
turer, producer, or exporter referred to in subsection (a) 
shall be liable for the tax imposed by such subsection.

“(c) REGULATIONS.—The Secretary shall promulgate 
regulations for application of this section in a manner con-
sistent with international trade agreements.

“SEC. 4172. DEFINITIONS.

“(a) WATER-INTEGRENSIVE CROP.—For purposes of this 
part—

“(1) In General.—The term ‘water-intensive 
crop’ means a crop grown—

“(A) in an area experiencing prolonged 
drought at the time such crop is grown, and
“(B) by a manufacturer, producer, or exporter which is a nonresident alien individual, foreign corporation, foreign government, or foreign trust.

“(b) AREA EXPERIENCING PROLONGED DROUGHT.—The term ‘area experiencing prolonged drought’ means an area which has been identified by the United States Drought Monitor as experiencing severe, extreme, or exceptional drought lasting more than 6 months.

“SEC. 4173. SPECIAL RULES.

“In the case of any water-intensive crop which is manufactured or produced by including one or more other water-intensive crops, no tax shall be imposed under this section on any water-intensive crop contained in the resulting specified water-intensive crop if tax was previously imposed under this section on such water-intensive crop when contained in the water-intensive crop so included.”.

(b) DROUGHT TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 9512. DROUGHT TRUST FUND.

“(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the ‘Drought Trust Fund’, consisting of
such amounts as may be appropriated or credited to such fund as provided in this section or section 9602(b).

“(b) TRANSFERS TO TRUST FUND.—There are hereby appropriated to the Drought Trust Fund amounts equivalent to the taxes received in the Treasury under section 4171(a).

“(c) EXPENDITURES.—Amounts in the Drought Trust Fund shall be available, as provided in appropriation Acts, for making expenditures to carry out the purposes of the WaterSmart Drought Response Program established under section 9504 of the Omnibus Public Land Management Act of 2009.”.

(e) CONFORMING AMENDMENTS.—

(1) Section 4221(a) of such Code is amended by adding at the end the following: “Paragraphs (1), (4), (5), and (6) shall not apply to the tax imposed under section 4171.”.

(2) The table of parts for subchapter D of chapter 32 of such Code is amended by inserting after the item relating to part I the following new item:

“Part II. Water-intensive crops.”.

(3) The table of sections for subchapter A of chapter 98 of the Internal Revenue Code of 1986 is
amended by adding at the end the following new item:

“Sec. 9512. Drought Trust Fund.”.

(d) Effective Date.—The amendments made by this section shall apply to sales after the date of the enactment of this Act.