

## FACT SHEET 4

### QUALIFIED RECIPIENT ENTITLEMENTS

#### Reclamation Reform Act of 1982 (RRA)

This fact sheet details the acreage limitation entitlements for a **qualified recipient**. A qualified recipient is:

“ . . . an individual who is a citizen or a resident alien of the United States or any legal entity established under State or Federal law that benefits 25 natural persons or less. A married couple may become a qualified recipient if either spouse is a United States citizen or a resident alien. In order to become qualified recipients, individuals and legal entities must be subject to the discretionary provisions through either district contract action or irrevocable election.” (43 CFR<sup>1</sup> part 426.2; Regulations)

If you are not a qualified recipient or are unsure, see Fact Sheet 2 (Acreage Limitation Status) for additional assistance in determining your acreage limitation status. 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 are acreage limitation entitlements?

Each acreage limitation status (qualified recipient, limited recipient, and prior law recipient) has two applicable entitlements under the RRA, which are the **ownership** entitlement and **nonfull-cost** entitlement.

- **Ownership entitlement** is the maximum acreage a landholder may directly or indirectly own and irrigate with Reclamation irrigation water.
- **Nonfull-cost entitlement** is the maximum acreage a landholder may irrigate with Reclamation irrigation water at the nonfull-cost rate (which includes any rate other than the full-cost rate).

#### What is the ownership entitlement for a qualified recipient?

**The ownership entitlement for a qualified recipient is 960 acres.** In other words, a qualified recipient can receive Reclamation irrigation water on a maximum of 960 acres of **directly or indirectly owned**, nonexempt land (irrigation land or irrigable land that is subject to the acreage limitation provisions).

- If you are an **individual** then you, your spouse, and your dependents are considered to be **one qualified recipient with one 960-acre ownership entitlement.**

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<sup>1</sup> Code of Federal Regulations

- Any land that you, your spouse, or your dependents own indirectly through an interest in an entity must be taken into consideration when determining if you are within your ownership entitlement.
- If you are an **entity** then the entity is considered to be **one qualified recipient with one 960-acre ownership entitlement** if the entity is subject to the discretionary provisions and it benefits 25 natural persons or less.
  - See the section below (regarding the impact of an irrevocable election on entities and part owners) for more information on how and when a qualified recipient ownership entitlement is affected by an irrevocable election.

### **Important things to know about the qualified recipient ownership entitlement**

- The ownership entitlement includes all directly or indirectly owned land, **regardless of whether that land receives Reclamation irrigation water**.
- The ownership entitlement is applied **westwide** (to all land in the 17 Western States where Reclamation has projects).
- Land directly owned by a subsidiary entity is counted against the ownership entitlement of its **parent entity**.
- Land directly leased from a public entity is counted against the **lessee's** ownership entitlement.
- Land owned by a qualified recipient beyond 960 acres is generally not eligible to receive Reclamation irrigation water.
  - Land owned beyond 960 acres is considered **excess land** and can receive Reclamation irrigation water **only** under very specific circumstances. See Fact Sheet 17 (Excess Land) for more information on excess land and how to designate land as excess.
  - Land owned beyond 960 acres may be made eligible through application of class 1 equivalency.
- A qualified recipient entity **may not be able to utilize** its full 960-acre ownership entitlement because of its part owners and their landholdings.
  - A part owner has his/her/its own applicable ownership entitlement and cannot receive Reclamation irrigation water on land that is owned in excess of that personal ownership entitlement. The part owner's landholding can include land the part owner directly owns or leases, in addition to land attributed to the part owner through interest in the entity.
  - A part owner that has excess land in his/her/its personal ownership entitlement may need to have all or some of the land that is held through the entity designated as excess by the entity in order to comply with the limits of their personal ownership entitlement.
    - In that case, the entity (as the direct landowner) must designate enough of its directly owned land as excess so the part owner is attributed with the correct number of excess acres to show compliance with the part owner's personal ownership entitlement.
    - In other words, to satisfy the part owner's needs, the entity designates some of its land as excess even though the entity itself may not exceed its ownership entitlement. The entity's excess designation on behalf of the part owner makes some of the entity's land ineligible to receive Reclamation irrigation water because that land is now designated as excess.

- For example, Part Owner A needs Entity B to designate enough excess acres so that Part Owner A is attributed with 20 excess acres. Because Part Owner A holds a 50-percent interest in Entity B, then Entity B must designate 40 total acres as excess in order for Part Owner A to be attributed with 20 excess acres. Once the 40 acres are designated as excess, Entity B will be able to receive Reclamation irrigation water on only 920 acres of its 960 acres because 40 acres have been designated as excess.
- As another example, Partnership A is a qualified recipient with a 960-acre ownership entitlement. However, Partnership A's two part owners (each of whom have a 50-percent interest in Partnership A) are both individuals and are both prior law recipients. The ownership entitlement for a prior law individual is 160 acres. Therefore, Partnership A can only realize 320 acres (160 acres for each part owner) of its 960-acre ownership entitlement as a qualified recipient. If Partnership A were to utilize more than 320 acres of its ownership entitlement, then each of the two part owners would be attributed with more than 160 owned acres receiving Reclamation irrigation water, thereby creating an illegal situation. See Fact Sheet 8 (Prior Law Recipient Entitlements) for more information.
- Trusts and estates do not have acreage limitation entitlements. The amount of trust or estate land that can receive Reclamation irrigation water is determined by the ownership entitlements of those to whom the trust's or estate's land is attributed (for example, beneficiaries), provided certain criteria are met. See Fact Sheet 12 (Trusts and Estates) for more information.
- Public entities do not have acreage limitation entitlements (including an ownership entitlement) as long as certain criteria are met. Contact your district or the appropriate Reclamation office for more information.

### **What is the nonfull-cost entitlement for a qualified recipient?**

**The nonfull-cost entitlement for a qualified recipient is 960 acres.** In other words, a qualified recipient can receive Reclamation irrigation water at the nonfull-cost rate on a maximum of 960 acres of **directly or indirectly owned or leased** nonexempt land.

- If you are an **individual** then you, your spouse, and your dependents are considered to be **one qualified recipient with one 960-acre nonfull-cost entitlement**.
  - Any land that you, your spouse, or your dependents own or lease indirectly through an interest in an entity must be taken into consideration when determining if you are within your nonfull-cost entitlement.
- If you are an **entity** then the entity is considered to be **one qualified recipient with one 960-acre nonfull-cost entitlement** if the entity is subject to the discretionary provisions and it benefits 25 natural persons or less.
  - See the section below (regarding the impact of an irrevocable election on entities and part owners) for more information on how and when a qualified recipient nonfull-cost entitlement is affected by an irrevocable election.

## Important things to know about the qualified recipient nonfull-cost entitlement

- The nonfull-cost entitlement includes all directly or indirectly owned or leased land, **regardless of whether that land receives Reclamation irrigation water.**
- The nonfull-cost entitlement is applied **westwide.**
- Land directly owned or directly leased by a subsidiary entity is counted against the nonfull-cost entitlement of its **parent entity.**
- Land directly leased from a public entity is counted against the **lessee's** nonfull-cost entitlement.
- Selection of land parcels for which the **nonfull-cost rate** (versus the full-cost rate) will be paid is made using a "Selection of Full-Cost Land" (Form 7-21FC).
  - Generally, any combination of eligible directly or indirectly owned or leased land can be selected as **nonfull-cost** land.
    - However, nonfull-cost land cannot be any land that is determined to be ineligible excess land, or land that is required by law to be subject to the full-cost rate.
  - **Full-cost** land is land that is directly or indirectly owned or leased, that exceeds the applicable nonfull-cost entitlement, and may receive Reclamation irrigation water **only** at the full-cost rate.
    - This applies even if the direct landholder should lease the land to someone who does not exceed their own nonfull-cost entitlement.
  - Land that is directly or indirectly owned or leased beyond 960 acres may be made eligible to receive Reclamation irrigation water at the nonfull-cost rate through application of class 1 equivalency.
- Once the nonfull-cost land has been selected and has received Reclamation irrigation water, that land will be considered to be nonfull-cost land for the **entire water year.**
  - This applies even if you terminate Reclamation irrigation water deliveries to the selected nonfull-cost land.
  - Additional land purchased or leased during the water year that is eligible to receive Reclamation irrigation water may receive such water only at the **full-cost rate.**
  - A nonfull-cost selection can be changed **prior to** receiving Reclamation irrigation water each year. However, changes to a nonfull-cost selection during a water year can be made only under very specific circumstances.
- Land that is subject to a recordable contract, or was involuntarily acquired within the last 5 years and designated as excess by the involuntarily acquiring party, is **generally not considered** when determining if the qualified recipient has exceeded the applicable nonfull-cost entitlement.
- Trusts and estates do not have acreage limitation entitlements. The amount of trust or estate land that can receive Reclamation irrigation water at the nonfull-cost rate is determined by the nonfull-cost entitlements of those to whom the trust's or estate's land is attributed (for example, beneficiaries), provided certain criteria are met. See Fact Sheet 12 (Trusts and Estates) for more information.
- Public entities do not have acreage limitation entitlements (including a nonfull-cost entitlement) as long as certain criteria are met. Contact your district or the appropriate Reclamation office for more information.

## What is the impact of an irrevocable election on entities and part owners?

- If an entity has chosen to conform to the discretionary provisions on its own behalf by executing an irrevocable election, it does not necessarily mean the entity’s part owners are also subject to the discretionary provisions.
- Conversely, a part owner’s irrevocable election to conform to the discretionary provisions does not necessarily mean the entity is also subject to the discretionary provisions.
- A part owner, stockholder, or beneficiary of a qualified recipient entity generally may not receive Reclamation irrigation water on more than 160 acres of owned land unless the part owner, stockholder, or beneficiary is also subject to the discretionary provisions.
- A part owner, stockholder, or beneficiary of a qualified recipient entity generally may not receive Reclamation irrigation water at the nonfull-cost rate on more than 160 acres of owned or leased land unless the part owner, stockholder, or beneficiary is also subject to the discretionary provisions.
- See Fact Sheet 3 (How to Become Subject to the Discretionary Provisions) for more information on conforming to the discretionary provisions.

### Sources for more information

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

<b>Form 7-21INFO</b>	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		
<b>RRA Fact Sheet 2</b>	Acreage Limitation Status	
<b>RRA Fact Sheet 3</b>	How to Become Subject to the Discretionary Provisions	
<b>RRA Fact Sheet 5</b>	Qualified Recipient RRA Forms	
<b>RRA Fact Sheet 6</b>	Limited Recipient Entitlements	
<b>RRA Fact Sheet 7</b>	Limited Recipient RRA Forms	
<b>RRA Fact Sheet 8</b>	Prior Law Recipient Entitlements	
<b>RRA Fact Sheet 9</b>	Prior Law Recipient RRA Forms	
<b>RRA Fact Sheet 12</b>	Trusts and Estates	
<b>RRA Fact Sheet 16</b>	Nonresident Aliens and Foreign Entities	
<b>RRA Fact Sheet 17</b>	Excess Land	
<b>RRA website</b> (including the RRA forms, District Reference Sources, and the text of the RRA and its associated Regulations)		<a href="http://www.usbr.gov/rra">www.usbr.gov/rra</a>