



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, Second Regular Session*

**AMENDED**  
FACT SHEET FOR S.B. 1197

~~TPT; exemption; agricultural equipment.~~  
(NOW: irrigation districts; service area; WIFA)

As passed by the Senate, S.B. 1197 required the gross proceeds of sales or gross income derived from sales of agricultural machinery and equipment, rather than only new agricultural machinery and equipment, including off-highway vehicles, to be deducted from the tax base for the retail classification of transaction privilege tax.

The House of Representatives adopted a strike-everything amendment that does the following:

Purpose

Broadens the permissible uses of Water Infrastructure Finance Authority (WIFA) monies by an irrigation or water conservation district and alters the definition of *service area of an irrigation district*.

Background

An irrigation district is a special taxing district that may be proposed by a majority of the real property owners in a designated area to provide for the irrigation of lands in the area. Statute allows an irrigation or water conservation district to construct, acquire or improve a drinking water facility with monies borrowed or financial assistance provided by WIFA. To repay a WIFA loan, an irrigation or water conservation district may enter into a loan repayment agreement (agreement) with WIFA payable from any revenues otherwise authorized to pay long-term obligations. An agreement may provide: 1) for the payment of interest on the unpaid principal balance of the agreement at rates established in the agreement; 2) for the payment of the district's proportionate share of the expenses of administering the Drinking Water Revolving Fund; and 3) that the district pay financing and loan administration fees approved by WIFA (A.R.S. §§ [48-2903](#) and [48-3207](#)).

For an irrigation district that was not engaged in the withdrawal, delivery and distribution of groundwater on the date of designation of an Active Management Area (AMA), the *service area of an irrigation district* is: 1) the acres of member lands within the boundaries of the irrigation district that were legally irrigated between January 1, 1975, through January 1, 1980, for initial AMAs or during the five years preceding the date of the designation of the AMA for subsequent AMAs; or 2) any areas as of the date of AMA designation within the boundaries of the irrigation district that contain an operating system of canals, flumes, ditches and other works for the withdrawal, delivery and distribution of water ([A.R.S. § 45-402](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows an irrigation or water conservation district to use WIFA monies or financial assistance to design, construct, acquire, rehabilitate or improve water or wastewater infrastructure, related property and appurtenances or a nonpoint source project, rather than only to construct, acquire or improve a drinking water facility.
2. Allows an agreement entered into with WIFA to provide for the payment of the irrigation or water conservation district's proportionate share of the expenses of administering the revolving fund that is the source of financial assistance, rather than only the Drinking Water Revolving Fund.
3. Alters the definition of *service area of an irrigation district* as it pertains to an irrigation district not engaged in the withdrawal, delivery and distribution of groundwater as of the date of the designation of an AMA to:
  - a) include any areas of land that contains an operating system of canals, flumes, ditches and other works, rather than only areas as of the date of the AMA designation within the boundaries of the irrigation district;
  - b) require the operating system to be owned or operated by the irrigation district; and
  - c) prohibit additional areas containing an operating system of canals, flumes, ditches and other works owned or operated by the irrigation district from being added after December 31, 2027.
4. Makes technical and conforming changes.
5. Becomes effective on the general effective date.

Amendments Adopted by the House of Representatives

- Adopted the strike-everything amendment relating to irrigation and water conservation districts.

House Action

WM	3/14/22	W/D	
NREW	3/14/22	DPA/SE	8-4-0-0
3 <sup>rd</sup> Read	4/25/22		43-13-3-1

Prepared by Senate Research

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RC/MAH/slp