



# TRUSTS AND ESTATES AND THE RRA

Reclamation Reform Act of 1982 (RRA)

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This Fact Sheet explains application of the acreage limitation entitlements to trusts and estates, trust criteria, and the rules for attributing land held (directly or indirectly owned or leased) by a trust or estate.

## TRUSTS

### ACREAGE LIMITATION ENTITLEMENTS FOR ALL TRUSTS

The RRA, as amended, provides that trustees holding land in a fiduciary capacity **will not** be subject to the ownership or pricing limitations of Federal reclamation law if the **trust meets** the specific criteria provided below. In addition, the RRA includes special criteria applicable to **REVOCABLE** trusts.

The acreage limitation entitlements associated with trusts are based solely on the combined applicable entitlements of the individual(s) or entity(ies) to which the land is **attributed**, be it the grantor(s), trustee(s), or beneficiary(ies). An individual's or entity's interest in land owned directly or indirectly by a trust, in combination with any other land owned directly or indirectly, **may not exceed** the ownership entitlement applicable to the individual or entity. If land held in trust exceeds an individual's or entity's ownership entitlement, the land held in excess will be deemed **ineligible** to receive Bureau of Reclamation (Reclamation) irrigation water until it is sold to an eligible buyer at an approved price. If eligible land held through a trust, in combination with any other land owned or leased directly or indirectly, **exceeds** the individual's or entity's nonfull-cost entitlement, the **full-cost rate** will be applied to any deliveries of Reclamation irrigation water to eligible lands that exceed the nonfull-cost entitlement.

### TRUST REVIEWS AND TRUST DEFINITIONS

Any trust that holds nonexempt land (irrigation land or irrigable land that is subject to the acreage limitation provisions) that will receive Reclamation irrigation water **must be reviewed and approved by Reclamation**. Reclamation makes a distinction between irrevocable and revocable trusts when attributing land and uses the following definitions:

**Grantor revocable trust** means a trust that holds irrigable or irrigation land that may be revoked at the discretion of the grantor(s), or terminated by the terms of the trust, **AND** revocation or termination results in title to the land held in trust **reverting either directly or indirectly to the grantor(s)**.

**Irrevocable trust** means a trust that holds irrigable or irrigation land and does not allow any individual, including the grantor or beneficiaries, the discretion to decide when or under what conditions the trust terminates, **AND** that upon termination the title to the land held in trust transfers either directly or indirectly to a person(s) or entity(ies) **other than the grantor(s)**.

**Otherwise revocable trust** means a trust that holds irrigable or irrigation land and that may be revoked at the discretion of the grantor(s) or other parties, or terminated by the terms of the trust, **AND** revocation or termination results in title to the land held in trust transferring either directly or indirectly to a person(s) or entity(ies) **other than the grantor(s)**.

## CRITERIA AND ATTRIBUTION RULES FOR ALL TRUSTS

### General Criteria

All trust agreements **must**:

1. Be in writing,
2. Identify the beneficiaries, **and**
3. Describe the interest of each beneficiary.

### Attribution for Irrevocable Trusts

If **all** of the preceding criteria **are met**, the land held in trust will be attributed to the **beneficiaries** of the trust as identified within the trust document and on the appropriate RRA forms. If one or more of the criteria **are not met**, the land will be attributed to the **trustee**.

## ADDITIONAL CRITERIA AND SPECIAL ATTRIBUTION RULES FOR REVOCABLE TRUSTS

### Criteria for Grantor Revocable and Otherwise Revocable Trusts

In addition to meeting the **three criteria** listed in the preceding section, in order to be eligible to receive Reclamation irrigation water a revocable trust document **must**:

1. Identify the grantor(s) of all land held in trust,
2. Identify the conditions under which the trust may be revoked or terminated, **and**
3. Specify to whom title to the land held in trust will be conveyed upon revocation or termination.

If one or more of the criteria are **not met**, land held in a **grantor revocable trust** will be **ineligible** to receive Reclamation irrigation water until the missing information is submitted. The only exception to this will be in those instances where the land held in trust has **already** been attributed to the grantor on both the trust's and grantor's RRA forms.

If the trust is an **otherwise revocable trust** and Reclamation cannot determine (1) who will hold the land in trust upon termination or revocation or (2) the grantor(s) of the land held in trust, then the land held by the otherwise revocable trust will be **ineligible** to receive Reclamation irrigation water until the missing information is submitted.

#### **Attribution for Grantor Revocable Trusts that MEET the Criteria**

If the trust can be revoked by the **grantor(s)** of the land held in trust and, as a result, title to the land **reverts either directly or indirectly** back to the **grantor(s)**, the land in trust will be **attributed to the grantor(s)**. If the trust will be revoked or terminated upon the **expiration of a specified period of time** and, as a result, title to the land **reverts either directly or indirectly** back to the **grantor(s)**, the land held in trust will be **attributed to the grantor(s)**. If the conditions discussed in the two preceding sentences have not been met, the trust is not a grantor revocable trust.

#### **Attribution for Otherwise Revocable Trusts that MEET the Criteria**

If the trust meets **all of the criteria** included on this Fact Sheet, the land will be attributed to the beneficiaries of the trust in proportion to their beneficial interests in the trust. If the trust satisfies the additional criteria for revocable trusts, but fails to meet **any** of the general criteria, the land will be attributed to the trustee.

### **CLASS OF BENEFICIARIES**

For purposes of identifying beneficiaries, a class of beneficiaries specified within the trust document is acceptable, provided the trust document is specific as to the beneficial interest to which **each member** of the class will be entitled and the members of the class are **identifiable**. If the trust criteria are met, the trust is not a grantor revocable trust, and a class of beneficiaries is specified in the trust document, attribution during any given water year will be made only to such beneficiaries that are natural persons and established legal entities. Attribution to unborn or deceased persons, or entities not yet established, **will not** be allowed under any circumstances.

An example of an acceptable class of beneficiaries would be all of the grantor's grandchildren once they reach the age of 18. However, land held in the trust could not be attributed to a grandchild for acreage limitation purposes until that person turned 18 years old. If no

grandchild has reached the age of 18, then the trust must identify where the assets held in trust will be attributed in the interim, or the class of beneficiaries will not be acceptable. In order for all criteria to be met, the trust would have to identify the level of interest each grandchild will have once he or she turns 18 years old; for example, "an equal share." Once the person in question meets the two criteria (is a grandchild of the grantor and is at least 18 years old), they are vested and cannot be removed as a beneficiary by the grantor or trustee. If the requirement was a grandchild who was "mature," instead of reaching 18 years old, the trust would not meet the criteria because "mature" is a subjective provision and allows each grandchild to be added or removed as a beneficiary at any time by the trustee.

For more information concerning acceptable classes of beneficiaries, contact your local Reclamation office.

## ESTATES

The RRA entitlements associated with estates are based solely on the combined applicable entitlements of the individual(s) or entity(ies) to which the land is attributed, be it the beneficiaries or the executor/administrator of the estate. The estate itself does not have entitlements under the RRA, and land **cannot** be attributed to the now deceased landholder. If **no beneficiaries** for the estate have been identified, then the land **is attributed to the executor/administrator**. If there is **no executor or administrator** for an estate, then for acreage limitation purposes an estate **does not exist**. Contact your local Reclamation office for more information as to whom the land in question must be attributed, application of the acreage limitation entitlements, and how to meet the RRA forms requirements.

## DEPENDENTS AND TRUSTS OR ESTATES

Land held in a trust or in an estate for the benefit of a person who is a **dependent AND** subject to the **discretionary provisions** will be attributed to the landholdings of that person's parent(s) or guardian(s).

## WHO MUST FILE RRA FORMS

A Form **7-21TRUST**, "Declaration of Trust's or Estate's Landholdings," must be submitted for the trust or estate itself and appropriate certification or reporting forms must be submitted by whomever is attributed with the land held in trust or estate. For example, if the land held in trust is attributed to the grantor, who also happens to be the trustee, a Form 7-21TRUST must be submitted by the grantor acting as trustee for the trust itself and a separate RRA form must be submitted by the grantor, if the land held in trust is to be eligible to receive Reclamation irrigation water.



If a trust includes a class of beneficiaries to which land subject to the acreage limitation provisions will be attributed, the **trustee will be required to submit** Form 7-21TRUST and **each of the beneficiaries**, whose westwide landholdings exceed the applicable RRA forms submittal threshold, will be required to submit the appropriate standard certification or reporting forms **annually**, even if there is no landholding change after the initial standard RRA forms are submitted. The submittal of Form 7-21VERIFY **will not** be allowed for such trusts and beneficiaries.

### RRA FORMS SUBMITTAL THRESHOLD FOR TRUSTS AND ESTATES

The following table identifies the RRA forms submittal thresholds for land held in a trust or estate according to the RRA forms submittal category for the district(s) in which the land is located. The following table is not applicable to whomever the land held in the trust or estate is attributed, unless such attribution is to another trust.

Acreage Limitation Status of the District Where the Land is Located and Number of Natural Persons to Whom the Land is Attributed	District Forms Submittal Category 1	District Forms Submittal Category 2
Discretionary provisions district		
Attributed to 25 or fewer natural persons	240 acres	80 acres
Attributed to more than 25 natural persons	40 acres	40 acres
Prior law district*	N/A	40 acres
* The only exception is if everyone attributed with the land held in trust is subject to the discretionary provisions. Then the trust will have an 80-acre RRA forms submittal threshold.		

## NEED MORE INFORMATION?

For questions about:	See Fact Sheet:
A complete list of RRA forms	1
What RRA form(s) should be filed by a: Qualified Recipient Limited Recipient Prior Law Recipient	5 7 9
Signature requirements for RRA forms	10
Forms submittal requirements when a landholder dies	11

For more information on trusts and estates, contact your district or local Reclamation office.

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Mission of the Bureau of Reclamation: To manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

The Department of the Interior has established a 24-hour toll-free telephone number (1-800-424-5081) for anyone wishing to report suspected violations of the Reclamation Reform Act of 1982 (RRA). Anyone reporting suspected violations will be protected under Federal privacy laws.

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