



INVOLUNTARY ACQUISITIONS AND THE RRA

Reclamation Reform Act of 1982 (RRA)

This Fact Sheet explains the special acreage limitation provisions for land acquired involuntarily, as set forth in the RRA and section 426.14 of the Acreage Limitation Rules and Regulations (43 CFR part 426). The specific provisions that apply to individual instances of involuntarily acquired land depend on the acreage limitation status of the land in the **previous owner's landholding AND** the acreage limitation status of the land in your landholding. If you are not sure of the former acreage limitation status of the land you have acquired involuntarily, contact the district in which the land is located.



If the involuntarily acquired land was **previously held by you as excess land AND you are not a financial institution** (i.e., a commercial bank or trust company, a private bank, an agency or branch of a foreign bank in the United States, a thrift institution, an insurance company, a loan or finance company, or the Farm Credit System), **FIRST** see section V of this Fact Sheet.

A flowchart is included on the last page of this Fact Sheet which should assist you in finding the appropriate section of this Fact Sheet to review.

WHAT IS CONSIDERED TO BE AN INVOLUNTARY ACQUISITION?

If you have acquired land through any of the following actions, you have what is defined by the RRA as an **INVOLUNTARY ACQUISITION**:

- **FORECLOSURE** or similar involuntary process of law
- **CONVEYANCE IN SATISFACTION OF A DEBT** (for example, a mortgage, real estate contract, or deed of trust)
- **INHERITANCE**
- **DEVISE** (a testamentary disposition of land, transfer as a result of a will or testament)

If you have acquired land by a process not listed above and you believe it was an involuntary acquisition, contact your local Bureau of Reclamation (Reclamation) office for a review of your situation.

SECTION I: WHAT IF NONEXCESS LAND IS INVOLUNTARILY ACQUIRED?

If you involuntarily acquire land that was **nonexcess** in the previous owner's landholding, you may choose to designate the land as either nonexcess (provided you have not already completed your ownership entitlement) or excess (even if your total landholding is not large enough to complete your nonexcess ownership entitlement).

A. Designated as Nonexcess

If you are the direct landowner of the involuntarily acquired land and you designate such land as **nonexcess** in your landholding, the following apply:

1. As with all nonexcess land, such land is eligible to receive Reclamation irrigation water.
2. If you and the former owner(s) both have the **same acreage limitation status** (that is, you are both subject to the discretionary provisions or both subject to prior law), the water rate applicable to the newly acquired land will be the **same** as if the land had not been acquired through an involuntary acquisition.
3. If you are a landholder subject to prior law and the land you acquired involuntarily is located in a district subject to the discretionary provisions, **you automatically** become subject to the discretionary provisions. The discretionary provisions' water rate will be applied to water delivered to **your entire** landholding, including any land that was not involuntarily acquired.
4. If you are a prior law recipient and you involuntarily acquire land from a landowner who has made an **irrevocable election** in a prior law district, you will **remain subject** to prior law and the newly acquired land will also be considered to have prior law status, with the prior law water rate being applied.
5. If you are subject to the discretionary provisions and the land you acquired involuntarily is subject to prior law, the newly acquired land **will also become subject** to the discretionary provisions, with the water rate associated with those provisions being applied.

In each of these cases, if you lease the land to another party, the full-cost rate may apply based on the acreage limitation status and westwide landholding of the lessee. You may sell the involuntarily acquired land at any time at its fair market value. If the land is subject to a 10-year deed covenant requiring Secretarial price approval for the land to retain its eligibility, you may request the deed covenant be removed before resale.

B. Designated as Excess

If you are the direct landowner of the involuntarily acquired land and you designate such land as **excess** in your landholding, the following apply:

1. The involuntarily acquired land is eligible to receive Reclamation irrigation water for **5 years** from the date it was acquired (date of previous landholder's death in cases of inheritance). During this 5-year period, the water rate that applied to the former owner will also apply to you for the involuntarily acquired land. However, if you lease the land to another party, the full-cost rate may apply based on the acreage limitation status and westwide landholding of the lessee.

2. The acreage limitation provisions applicable to you and your land are not affected when involuntarily acquired land is designated excess in your landholding. For example, if you are subject to prior law and the former owner was subject to the discretionary provisions, you will not become subject to the discretionary provisions by virtue of your involuntary acquisition. As another example, if you are subject to the discretionary provisions and the former owner was subject to prior law, the newly acquired land will remain subject to prior law with the prior law water rate applied during the 5-year period following acquisition.

3. You may want to redesignate some or all of your involuntarily acquired land from excess to nonexcess any time during the 5-year period following acquisition, or after that period has expired. However, you **must** receive Reclamation's approval for the redesignation as specified in section 426.14(f). If the rate paid for delivered Reclamation irrigation water was less while the land was designated as excess than it would have been had the land been designated as nonexcess when it was involuntarily acquired, the difference in rates **must** be remitted to Reclamation.

4. If you fail to sell or otherwise dispose of the land within the 5-year period, the land will become **ineligible** to receive Reclamation irrigation water until it is sold to an eligible buyer, unless the land has been redesignated as nonexcess as set forth in the immediately preceding paragraph.

The land may be sold at any time at its fair market value, but it may not be placed under recordable contract. If the land is subject to a 10-year deed covenant requiring Secretarial price approval, the covenant may be removed prior to resale.

SECTION II: WHAT IF INELIGIBLE EXCESS LAND IS INVOLUNTARILY ACQUIRED?

If the involuntarily acquired land **was ineligible** to receive Reclamation irrigation water in the previous owner's landholding, it will **remain ineligible** in your landholding unless the following two conditions are met:

1. You have not completed your ownership entitlement and you **designate the land as nonexcess** in your landholding; **AND**

2. The deed conveying the involuntarily acquired land to you includes a 10-year covenant **requiring Secretarial price approval**. The 10-year period will commence when the land becomes eligible to receive Reclamation irrigation water.

If these two conditions **are met**, the possible effects on the acreage limitation status and water rates described in section I.A. of this Fact Sheet will apply in this situation. If either of these two conditions **is not met**, the involuntarily acquired land will remain **ineligible** to receive Reclamation irrigation water until it is sold to an **eligible buyer** at an **approved price**, and the 10-year covenant requiring Secretarial price approval is placed in the deed to the land upon sale.

SECTION III: WHAT IF EXCESS LAND UNDER RECORDABLE CONTRACT IS INVOLUNTARILY ACQUIRED?

If you involuntarily acquire excess land that is under **recordable contract**, you may designate it as nonexcess in your landholding (to the extent possible) and **remove** that nonexcess land from the recordable contract. The possible effects on the acreage limitation status and water rates described in section I.A. of this Fact Sheet will apply in this situation. Such land may be sold at its fair market value and the deed need not include the covenant requiring sales price approval.

If the involuntarily acquired land is under **recordable contract** and is designated **excess** in your landholding, you may continue to receive Reclamation irrigation water under the terms of the recordable contract. However, you must agree to **assume** the recordable contract and its terms, including the requirement for sale after a specified period of time at an approved price, by executing an assumption agreement provided by Reclamation. If you assume the recordable contract, the involuntarily acquired land will be eligible to receive Reclamation irrigation water for 5 years from the date it was involuntarily acquired or the remainder of the contract period, **whichever is longer**. During this period, the water rate that applied to the former owner will also apply to you. However, if you lease the land to another party, the full-cost rate may apply based on the acreage limitation status and westwide landholding of the lessee. The sale of the land will be under the terms and conditions specified in the recordable contract, including sales price approval.

If the land is designated excess and you do not assume the recordable contract, the land will become **ineligible** to receive Reclamation irrigation water until sold to an **eligible buyer** at an **approved price**, and the 10-year covenant requiring Secretarial price approval is placed in the deed to the land upon sale.

SECTION IV: WHAT IF MORTGAGED LAND IS INVOLUNTARILY ACQUIRED BY THE LENDER?

Land that is involuntarily acquired by lenders will be treated in the same manner as described in the preceding sections, except in those cases where (1) the lender involuntarily acquired land that changed from nonexcess status to excess status **after** the mortgage was recorded, **AND** (2) the lender designates the land as excess. In such cases, the land will be eligible to receive Reclamation irrigation water in the lender's ownership for **5 years** or until transferred to an **eligible buyer**, whichever occurs first. In addition, the land may be sold at its fair market value, with no requirement for a deed covenant to be applied. During the 5-year period, the water rate will be the same as for the former owner, unless the land becomes subject to full-cost pricing through leasing. If the lender designates such land as nonexcess rather than excess, it will be treated as discussed in section I.A. of this Fact Sheet.


SECTION V: WHAT IF LAND BEING INVOLUNTARILY ACQUIRED WAS PREVIOUSLY HELD AS EXCESS IN YOUR LANDHOLDING?

If you involuntarily **reacquire** nonexempt land (either through direct or indirect ownership) (a) that is otherwise eligible to receive Reclamation irrigation water, (b) that was formerly excess and disposed of by you (or an entity in which you had an interest), **AND** (c) you do not qualify as a **financial institution**, such land is **ineligible** to receive Reclamation irrigation water regardless of whether you designated it as excess or nonexcess in your landholding **UNLESS**:

1. You became or contracted to become a direct or indirect owner of the reacquired land **prior to December 18, 1996**;
2. You pay the **full-cost rate** for any Reclamation irrigation water delivered to the reacquired land. If you are a part owner of a legal entity that becomes the direct owner of the land in question, the full-cost rate will be applicable to the proportional share of land receiving Reclamation irrigation water that reflects your interest in the legal entity that involuntarily acquired the land; **OR**
3. The deed covenant associated with the sale of the excess land has **expired**.

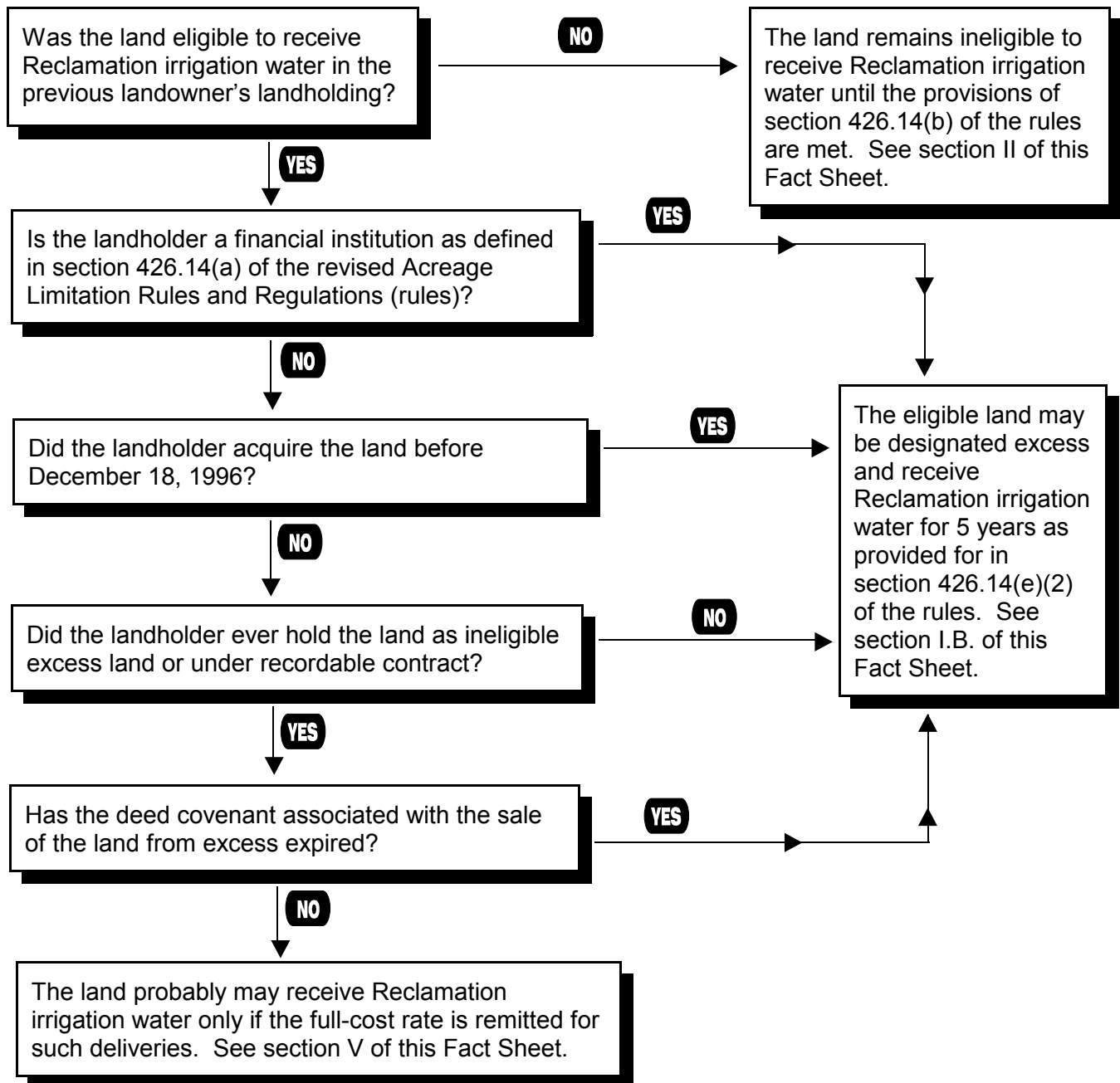
If you meet any of the preceding conditions **AND** the involuntarily acquired land is designated **excess** in your landholding, the land will be eligible to receive Reclamation irrigation water for a period of 5 years at the rate paid by the former owner, **unless** the land is eligible to receive Reclamation irrigation water due to meeting condition number 2 and the **full-cost rate** must be paid, or the land becomes subject to full-cost pricing through leasing. If the land is subject to a 10-year deed covenant requiring Secretarial price approval, the covenant **will not** be removed, unless the land is eligible to receive Reclamation irrigation water due to meeting condition number 1.

If you meet any of the preceding conditions **AND** the involuntarily acquired land is designated **nonexcess** in your landholding, the land will be treated as discussed in section I.A. of this Fact Sheet. However, if you had previously sold the land in question at a price approved by Reclamation, the **full-cost rate** must be applied if the land is eligible to receive Reclamation irrigation water due to meeting condition number 2, or the land becomes subject to full-cost pricing through leasing.

 Nonexempt land means either irrigation land or irrigable land that is subject to the acreage limitation provisions.

If you have any questions concerning involuntary acquisitions, recordable contracts, or deed covenants, contact your district or local Reclamation office.

ELIGIBILITY OF INVOLUNTARILY ACQUIRED NONEXEMPT LAND TO RECEIVE RECLAMATION IRRIGATION WATER IF IT IS DESIGNATED EXCESS BY THE INVOLUNTARILY ACQUIRING PARTY



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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