

Sale of Livestock on Account of Drought

Cross References

- Notice 2017-53

An involuntary conversion occurs when property is destroyed, stolen, condemned, or disposed of under a threat of condemnation, and the taxpayer receives other property, or money, in payment for the property, such as insurance proceeds or a condemnation award. The involuntary conversion is treated as a sale or exchange. Gain or loss is the difference between the net payment received and the adjusted basis of the converted property.

Gain from an involuntary conversion is postponed if the taxpayer receives or purchases replacement property within a specified replacement period. Under the normal involuntary conversion rules, replacement property must be purchased within two years in order to defer any gain on the conversion.

There is a special rule for livestock sold under weather-related conditions in an area designated as eligible for assistance by the federal government. IRC §1033(e)(2)(A) states that the replacement period ends four years after the close of the first taxable year in which any part of the gain from the conversion is realized. IRC §1033(e)(2)(B) states that the IRS may extend this replacement period on a regional basis if the IRS determines weather-related conditions continue to affect a region for more than three years. Thus, if a sale or exchange on account of drought qualifies for this special rule, the 4-year replacement period can be extended. The IRS issued Notice 2006-82 which states for this purpose, the first drought-free year for the applicable region is the first 12-month period that:

- 1) Ends August 31,
- 2) Ends in or after the last year of the taxpayer's 4-year replacement period, and
- 3) Does not include any weekly period for which exceptional, extreme, or severe drought is reported for any location in the applicable region.

Notice 2006-82 also states the IRS will publish in September of each year a list of counties, districts, cities, boroughs, census areas, or parishes for which exceptional, extreme, or severe drought was reported during the preceding 12 months. Taxpayers may use this list to determine whether exceptional, extreme, or severe drought has been reported for any location in the applicable region.

Notice 2017-53 states the 12-month period ending August 31, 2017 is not a drought-free year for the following applicable regions listed below. Accordingly, for a taxpayer who qualified for a 4-year replacement period for livestock sold or exchanged on account of drought and whose replacement period is scheduled to expire at the end of 2017 (or, in the case of a fiscal year taxpayer, at the end of the fiscal year that includes August 31, 2017), the replacement period is extended if the applicable region includes any of the following regions listed below. This extension will continue until the end of the first taxable year ending after a drought-free year for the applicable region.

Alabama

Counties of Autauga, Baldwin, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Cherokee, Chilton, Choctaw, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, DeKalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marengo, Marion, Marshall, Mobile, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, Saint Clair, Shelby, Sumter, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox, Winston.

Arizona

Counties of Cochise, La Paz, Pima, Santa Cruz, Yuma.

Arkansas

Counties of Arkansas, Ashley, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Chicot, Clark, Cleburne, Cleveland, Conway, Craighead, Crawford, Crittenden, Cross, Dallas, Desha, Drew, Faulkner, Franklin, Fulton, Garland, Grant, Greene, Hempstead, Hot Spring, Howard, Independence, Izard, Jackson, Jefferson, Johnson, Lafayette, Lawrence, Lee, Lincoln, Little River, Logan, Lonoke, Madison, Marion, Miller, Mississippi, Monroe, Montgomery, Nevada, Newton, Ouachita, Perry, Phillips, Pike, Poinsett, Polk, Pope, Prairie, Pulaski, Saint Francis, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, Stone, Union, Van Buren, Washington, White, Woodruff, Yell.

California

Counties of Alameda, Alpine, Amador, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Imperial, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Mariposa, Merced, Mono, Monterey, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Solano, Stanislaus, Tulare, Tuolumne, Ventura, Yolo.

Colorado

Counties of Adams, Arapahoe, Baca, Boulder, Broomfield, Cheyenne, Denver, Douglas, Elbert, Jefferson, Kiowa, Larimer, Lincoln, Prowers, Weld.

Connecticut

Counties of Fairfield, Hartford, Litchfield, Middlesex, New Haven, New London, Tolland, Windham.

District of Columbia

District of Columbia.

Florida

Counties of Alachua, Baker, Bay, Brevard, Calhoun, Charlotte, Citrus, Collier, Columbia, DeSoto, Dixie, Duval, Escambia, Franklin, Gadsden, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Martin, Monroe, Nassau, Okaloosa, Okeechobee, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Saint Lucie, Santa Rosa, Sarasota, Seminole, Sumter, Volusia, Wakulla, Walton, Washington.

Georgia

Counties of Appling, Atkinson, Bacon, Baker, Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brantley, Brooks, Burke, Butts, Calhoun, Camden, Carroll, Catoosa, Charlton, Chattahoochee, Chattooga, Cherokee, Clarke, Clay, Clayton, Clinch, Cobb, Coffee, Colquitt, Columbia, Cook, Coweta, Crawford, Crisp, Dade, Dawson, Decatur, DeKalb, Dodge, Dooly, Dougherty, Douglas, Early, Echols, Elbert, Emanuel, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glascock, Glynn, Gordon, Grady, Greene, Gwinnett, Habersham, Hall, Hancock, Haralson, Harris, Hart, Heard, Henry, Houston, Irwin, Jackson, Jasper, Jeff Davis, Jefferson, Johnson, Jones, Lamar, Lanier, Laurens, Lee, Lincoln, Lowndes, Lumpkin, Macon, Madison, Marion, McDuffie, McIntosh, Meriwether, Miller, Mitchell, Monroe, Montgomery, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pierce, Pike, Polk, Pulaski, Putnam, Quitman, Rabun, Randolph, Richmond, Rockdale, Schley, Seminole, Spalding, Stephens, Stewart, Sumter, Talbot, Taliaferro, Taylor, Telfair, Terrell, Thomas, Tift, Towns, Treutlen, Troup, Turner, Twiggs, Union, Upson, Walker, Walton, Ware, Warren, Washington, Wayne, Webster, Wheeler, White, Whitfield, Wilcox, Wilkes, Wilkinson, Worth.

Hawaii

Counties of Hawaii, Kauai, Maui.

Idaho

Counties of Bonner, Boundary, Clearwater, Idaho, Shoshone.

Illinois

Counties of Alexander, Hardin, Massac, Pope, Pulaski.

Indiana

Counties of Clark, Floyd, Harrison, Jefferson, Scott, Switzerland, Washington.

Iowa

Counties of Adair, Appanoose, Buena Vista, Calhoun, Cherokee, Clarke, Davis, Decatur, Jefferson, Keokuk, Lucas, Madison, Mahaska, Marion, Monroe, O'Brien, Plymouth, Pocahontas, Ringgold, Sac, Union, Van Buren, Wapello, Warren, Wayne, Woodbury.

Kansas

Counties of Clark, Comanche, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearny, Lane, Meade, Morton, Ness, Scott, Seward, Stanton, Stevens, Wichita.

Kentucky

Counties of Adair, Allen, Anderson, Ballard, Barren, Bath, Bell, Boone, Bourbon, Boyle, Bracken, Breathitt, Breckinridge, Bullitt, Butler, Caldwell, Calloway, Carlisle, Carroll, Carter, Casey, Christian, Clark, Clay, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Elliott, Estill, Fayette, Fleming, Floyd, Franklin, Fulton, Gallatin, Garrard, Grant, Graves, Grayson, Green, Greenup, Hancock, Hardin, Harlan, Harrison, Hart, Henry, Hickman, Hopkins, Jackson, Jefferson, Jessamine, Johnson, Knott, Knox, Larue, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Livingston, Logan, Lyon, Madison, Magoffin, Marion, Marshall, Martin, Mason, McCracken, McCreary, McLean, Meade, Menifee, Mercer, Metcalfe, Monroe, Montgomery, Morgan, Muhlenberg, Nelson, Nicholas, Ohio, Oldham, Owen, Owsley, Pendleton, Perry, Pike, Powell, Pulaski, Robertson, Rockcastle, Rowan, Russell, Scott, Shelby, Simpson, Spencer, Taylor, Todd, Trigg, Trimble, Union, Warren, Washington, Wayne, Webster, Whitley, Wolfe, Woodford.

Louisiana

Parishes of Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Catahoula, Claiborne, Concordia, De Soto, East Baton

Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Jefferson, La Salle, Lafayette, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, Saint Charles, Saint Helena, Saint James, Saint John the Baptist, Saint Landry, Saint Martin, Saint Tammany, Tangipahoa, Tensas, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana, Winn Parish.

Maine

Counties of Androscoggin, Aroostook, Cumberland, Franklin, Hancock, Kennebec, Knox, Lincoln, Oxford, Penobscot, Piscataquis, Sagadahoc, Somerset, Waldo, Washington, York.

Maryland

Counties of Anne Arundel, Howard, Montgomery, Prince George's.

Massachusetts

Counties of Barnstable, Berkshire, Bristol, Dukes, Essex, Franklin, Hampden, Hampshire, Middlesex, Norfolk, Plymouth, Suffolk, Worcester.

Mississippi

Counties of Adams, Alcorn, Amite, Attala, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Choctaw, Claiborne, Clarke, Clay, Coahoma, Copiah, Covington, DeSoto, Forrest, Franklin, George, Greene, Grenada, Hancock, Harrison, Hinds, Holmes, Humphreys, Issaquena, Itawamba, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lafayette, Lamar, Lauderdale, Lawrence, Leake, Lee, Leflore, Lincoln, Lowndes, Madison, Marion, Marshall, Monroe, Montgomery, Neshoba, Newton, Noxubee, Oktibbeha, Panola, Pearl River, Perry, Pike, Pontotoc, Prentiss, Quitman, Rankin, Scott, Sharkey, Simpson, Smith, Stone, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Walthall, Warren, Washington, Wayne, Webster, Wilkinson, Winston, Yalobusha, Yazoo.

Missouri

Counties of Audrain, Benton, Boone, Butler, Callaway, Carroll, Chariton, Cole, Cooper, Dunklin, Howard, Johnson, Lafayette, Livingston, Macon, Mississippi, Moniteau, Monroe, Morgan, New Madrid, Pemiscot, Pettis, Randolph, Ray, Saline, Scott, Stoddard, Wayne.

Montana

Counties of Big Horn, Blaine, Broadwater, Carbon, Carter, Cascade, Chouteau, Custer, Daniels, Dawson, Deer Lodge, Fallon, Fergus, Flathead, Gallatin, Garfield, Glacier, Golden Valley, Granite, Hill, Jefferson, Judith Basin, Lake, Lewis and Clark, Liberty, Lincoln, McCone, Meagher, Mineral, Missoula, Musselshell, Park, Petroleum, Phillips, Pondera, Powder River, Powell, Prairie, Ravalli, Richland, Roosevelt, Rosebud, Sanders, Sheridan, Stillwater, Sweet Grass, Teton, Toole, Treasure, Valley, Wheatland, Wibaux, Yellowstone.

Nebraska

Counties of Adams, Brown, Cedar, Cherry, Dakota, Dixon, Kearney, Keya Paha, Knox, Pierce, Rock, Wayne.

Nevada

City of Carson City. Counties of Churchill, Douglas, Esmeralda, Humboldt, Lander, Lyon, Mineral, Nye, Pershing, Storey, Washoe.

New Hampshire

Counties of Belknap, Carroll, Cheshire, Grafton, Hillsborough, Merrimack, Rockingham, Strafford, Sullivan.

New Jersey

Counties of Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Sussex, Union, Warren.

New York

Counties of Allegany, Bronx, Cattaraugus, Cayuga, Chautauqua, Chemung, Clinton, Columbia, Cortland, Dutchess, Erie, Essex, Franklin, Genesee, Greene, Hamilton, Jefferson, Lewis, Livingston, Monroe, Nassau, New York, Niagara, Onondaga, Ontario, Orange, Orleans, Oswego, Putnam, Queens, Richmond, Rockland, Saratoga, Schuyler, Seneca, Steuben, Suffolk, Sullivan, Tioga, Tompkins, Ulster, Warren, Washington, Wayne, Westchester, Wyoming, Yates.

North Carolina

Counties of Alexander, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes, Yancey.

North Dakota

Counties of Adams, Barnes, Benson, Billings, Bottineau, Bowman, Burke, Burleigh, Dickey, Divide, Dunn, Emmons, Golden Valley, Grant, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McKenzie, McLean, Mercer, Morton, Mountrail, Oliver, Pierce, Ransom, Renville, Sargent, Sheridan, Sioux, Slope, Stark, Stutsman, Ward, Wells, Williams.

Ohio

Counties of Adams, Brown, Scioto.

Oklahoma

Counties of Adair, Alfalfa, Atoka, Beaver, Beckham, Blaine, Bryan, Canadian, Cherokee, Choctaw, Cimarron, Cleveland, Coal, Craig, Creek, Delaware, Dewey, Ellis, Garfield, Garvin, Grady, Grant, Greer, Harmon, Harper, Haskell, Hughes, Johnston, Kay, Kingfisher, Latimer, Le Flore, Lincoln, Logan, Major, Mayes, McClain, McCurtain, McIntosh, Murray, Muskogee, Noble, Nowata, Okfuskee, Oklahoma, Okmulgee, Osage, Pawnee, Payne, Pittsburg, Pontotoc, Pottawatomie, Pushmataha, Roger Mills, Rogers, Seminole, Sequoyah, Texas, Tulsa, Wagoner, Washington, Woods, Woodward.

Oregon

Counties of Baker, Grant, Harney, Malheur, Morrow, Umatilla, Union, Wallowa.

Pennsylvania

Counties of Berks, Bucks, Cameron, Carbon, Centre, Clearfield, Clinton, Elk, Erie, Lehigh, Lycoming, Monroe, Montgomery, Northampton, Pike, Potter, Tioga.

Rhode Island

Counties of Bristol, Kent, Newport, Providence, Washington.

South Carolina

Counties of Abbeville, Anderson, Cherokee, Chester, Edgefield, Fairfield, Greenville, Greenwood, Laurens, McCormick, Newberry, Oconee, Pickens, Saluda, Spartanburg, Union, York.

South Dakota

Counties of Aurora, Beadle, Bennett, Brown, Brule, Buffalo, Butte, Campbell, Charles Mix, Clay, Corson, Custer, Davison, Dewey, Douglas, Edmunds, Fall River, Faulk, Gregory, Haakon, Hand, Hanson, Harding, Hughes, Hyde, Jackson, Jerauld, Jones, Lawrence, Lyman, McPherson, Meade, Mellette, Pennington, Perkins, Potter, Sanborn, Shannon, Spink, Stanley, Sully, Todd, Tripp, Union, Walworth, Yankton, Ziebach.

Tennessee

Counties of Anderson, Bedford, Benton, Bledsoe, Blount, Bradley, Campbell, Cannon, Carroll, Carter, Cheatham, Chester, Claiborne, Clay, Cocke, Coffee, Crockett, Cumberland, Davidson, Decatur, DeKalb, Dickson, Dyer, Fayette, Fentress, Franklin, Gibson, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Henry, Hickman, Houston, Humphreys, Jackson, Jefferson, Johnson, Knox, Lake, Lauderdale, Lawrence, Lewis, Lincoln, Loudon, Macon, Madison, Marion, Marshall, Maury, McMinn, McNairy, Meigs, Monroe, Montgomery, Moore, Morgan, Obion, Overton, Perry, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Shelby, Smith, Stewart, Sullivan, Sumner, Tipton, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Wayne, Weakley, White, Williamson, Wilson.

Texas

Counties of Anderson, Angelina, Archer, Bastrop, Baylor, Bexar, Blanco, Bowie, Brooks, Caldwell, Cameron, Camp, Carson, Cass, Chambers, Cherokee, Childress, Collingsworth, Comal, Cottle, Delta, Dickens, Fannin, Foard, Franklin, Freestone, Grayson, Gregg, Hansford, Hardeman, Hardin, Harris, Harrison, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hopkins, Hunt, Hutchinson, Jasper, Kendall, Kenedy, King, Kleberg, Knox, Lamar, Liberty, Limestone, Lipscomb, Marion, McLennan, Morris, Motley, Nacogdoches, Navarro, Newton, Nueces, Ochiltree, Orange, Panola, Polk, Rains, Red River, Roberts, Rusk, Sabine, San Augustine, Shackelford, Shelby, Sherman, Smith, Starr, Stephens, Throckmorton, Titus, Tyler, Upshur, Van Zandt, Wheeler, Wichita, Willacy, Wood, Young.

Utah

Counties of Carbon, Emery, Juab, Sanpete, Utah, Wasatch.

Vermont

Counties of Addison, Chittenden, Franklin, Grand Isle, Orange, Rutland, Washington, Windsor.

Virginia

Cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Norton. Counties of Arlington, Buchanan, Culpeper, Dickenson, Fairfax, Fauquier, Lee, Loudoun, Louisa, Madison, Orange, Prince William, Russell, Scott, Spotsylvania, Stafford, Wise.

Wyoming

Counties of Big Horn, Campbell, Crook, Niobrara, Park, Sheridan, Teton, Weston.