

Sale of Livestock on Account of Drought

Cross References

- Notice 2014-60

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 section 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 section 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 that 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 2014-60 states that the 12-month period ending August 31, 2014, 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 2014 (or, in the case of a fiscal year taxpayer, at the end of the fiscal year that includes August 31,

2014), 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

County of Henry.

Alaska

Boroughs of Denali, Fairbanks North Star.
Census Areas of Southeast Fairbanks, Yukon-Koyukuk.

Arizona

Counties of Apache, Cochise, Coconino, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Navajo, Pima, Pinal, Santa Cruz, Yavapai, Yuma.

Arkansas

Counties of Arkansas, Ashley, Bradley, Calhoun, Chicot, Clark, Cleveland, Columbia, Dallas, Desha, Drew, Grant, Hempstead, Howard, Jefferson, Lafayette, Lee, Lincoln, Little River, Lonoke, Miller, Monroe, Nevada, Ouachita, Phillips, Prairie, Pulaski, Sevier, Union.

California

Counties of Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Napa, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Ventura, Yolo, Yuba.

Colorado

Counties of Alamosa, Arapahoe, Archuleta, Baca, Bent, Chaffee, Cheyenne, Conejos, Costilla, Crowley, Custer, Dolores, Douglas, Eagle, Elbert, El Paso, Fremont, Garfield, Gunnison, Hinsdale, Huerfano, Jackson, Jefferson, Kiowa, Kit Carson, La Plata, Las Animas, Lincoln, Logan, Mesa, Mineral, Moffat, Montezuma, Montrose, Otero, Ouray, Park, Phillips, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Sedgwick, Teller, Weld, Yuma.

Florida

County of Jackson.

Georgia

Counties of Atkinson, Baker, Berrien, Brooks, Calhoun, Clay, Clinch, Coffee, Colquitt, Cook, Decatur, Dougherty, Early, Echols, Grady, Irwin, Lanier, Lowndes, Miller, Mitchell, Randolph, Seminole, Thomas, Tift, Ware.

Hawaii

Counties of Hawaii, Kalawao, Maui.

Idaho

Counties of Ada, Adams, Bannock, Bingham, Blaine, Boise, Bonneville, Butte, Camas, Canyon, Caribou, Cassia, Clark, Custer, Elmore, Franklin, Fremont, Gem, Gooding, Idaho, Jefferson, Jerome, Lemhi, Lincoln, Madison, Minidoka, Oneida, Owyhee, Payette, Power, Twin Falls, Valley, Washington.

Illinois

Counties of Adams, Bureau, Carroll, Champaign, Christian, De Witt, Douglas, Fulton, Hancock, Henderson, Henry, Knox, Lee, Logan, McDonough, McLean, Macon, Marshall, Mason, Menard, Mercer, Moultrie, Ogle, Peoria, Piatt, Putnam, Rock Island, Sangamon, Shelby, Stark, Tazewell, Warren, Whiteside, Woodford.

Iowa

Counties of Adair, Adams, Appanoose, Audubon, Benton, Boone, Buena Vista, Calhoun, Carroll, Cass, Cedar, Clarke, Clinton, Crawford, Dallas, Davis, Des Moines, Greene, Guthrie, Hamilton, Hardin, Harrison, Henry, Humboldt, Ida, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Monroe, Montgomery, Muscatine, Pocahontas, Polk, Pottawattamie, Poweshiek, Sac, Scott, Shelby, Story, Tama, Union, Van Buren, Wapello, Warren, Washington, Webster, Wright.

Kansas

Counties of Allen, Anderson, Barber, Barton, Bourbon, Butler, Chase, Chautauqua, Cherokee, Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Cowley, Crawford, Decatur, Dickinson, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Franklin, Geary, Gove, Graham,

Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Harvey, Haskell, Hodgeman, Jewell, Kearny, Kingman, Kiowa, Labette, Lane, Lincoln, Logan, Lyon, McPherson, Marion, Marshall, Meade, Mitchell, Montgomery, Morris, Morton, Neosho, Ness, Norton, Osage, Osborne, Ottawa, Pawnee, Phillips, Pratt, Rawlins, Reno, Republic, Rice, Rooks, Rush, Russell, Saline, Scott, Sedgwick, Seward, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, Sumner, Thomas, Trego, Wabaunsee, Wallace, Washington, Wichita, Wilson, Woodson.

Louisiana

Parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, Claiborne, De Soto, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Lafayette, La Salle, Lincoln, Madison, Morehouse, Natchitoches, Ouachita, Pointe Coupee, Rapides, Red River, Richland, Sabine, Saint Landry, Saint Martin, Saint Mary, Tensas, Union, Vermillion, Vernon, Webster, West Carroll, West Feliciana, Winn.

Minnesota

Counties of Anoka, Benton, Brown, Chippewa, Chisago, Cottonwood, Dakota, Goodhue, Hennepin, Houston, Isanti, Jackson, Kanabec, Kandiyohi, Lyon, McLeod, Martin, Meecker, Mille Lacs, Murray, Nobles, Olmsted, Pope, Ramsey, Redwood, Renville, Sherburne, Stearns, Swift, Wabasha, Washington, Watonwan, Winona, Wright.

Mississippi

Counties of Attala, Bolivar, Calhoun, Carroll, Choctaw, Coahoma, Grenada, Hinds, Holmes, Humphreys, Issaquena, Leake, Leflore, Madison, Montgomery, Neshoba, Oktibbeha, Panola, Quitman, Rankin, Scott, Sharkey, Sunflower, Tallahatchie, Tunica, Warren, Washington, Webster, Winston, Yalobusha, Yazoo.

Missouri

Counties of Adair, Andrew, Barton, Buchanan, Caldwell, Carroll, Chariton, Clark, Clay, Clinton, Daviess, DeKalb, Gentry, Grundy, Harrison, Jasper, Knox, Lewis, Linn, Livingston, Macon, Marion, Mercer, Monroe, Newton, Nodaway, Putnam, Randolph, Ray, Saline, Schuyler, Scotland, Shelby, Sullivan, Worth.

Montana

Counties of Beaverhead, Big Horn, Broadwater, Carbon, Gallatin, Granite, Jefferson, Madison, Missoula, Powell, Ravalli, Silver Bow.

Nebraska

Counties of Antelope, Arthur, Banner, Blaine, Boone, Box Butte, Boyd, Brown, Buffalo, Butler, Cass, Cedar, Chase, Cherry, Cheyenne, Cuming, Custer, Dakota, Dawes, Dawson, Deuel, Dixon, Dodge, Douglas, Dundy, Franklin, Frontier, Furnas, Gage, Garden, Garfield, Gosper, Grant, Greeley, Hall, Harlan, Hayes, Hitchcock, Holt, Hooker, Howard, Jefferson, Kearney, Keith, Keya Paha, Kimball, Knox, Lancaster, Lincoln, Logan, Loup, McPherson, Madison, Merrick, Morrill, Nance, Perkins, Phelps, Pierce, Platte, Red Willow, Rock, Sarpy, Saunders, Scotts Bluff, Seward, Sheridan, Sherman, Sioux, Stanton, Thayer, Thomas, Thurston, Valley, Washington, Wayne, Webster, Wheeler.

Nevada

Carson City. Counties of Churchill, Clark, Douglas, Elko, Esmeralda, Eureka, Humboldt, Lander, Lincoln, Lyon, Mineral, Nye, Pershing, Storey, Washoe, White Pine.

New Mexico

Counties of Bernalillo, Catron, Chaves, Cibola, Colfax, Curry, DeBaca, Dona Ana, Eddy, Grant, Guadalupe, Harding, Hidalgo, Lea, Lincoln, Los Alamos, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, Sandoval, San Juan, San Miguel, Santa Fe, Sierra, Socorro, Taos, Torrance, Union, Valencia.

North Dakota

Counties of Barnes, Foster, Griggs, Kidder, LaMoure, Logan, Stutsman, Wells.

Oklahoma

Counties of Alfalfa, Atoka, Beaver, Beckham, Blaine, Bryan, Caddo, Canadian, Carter, Choctaw, Cimarron, Cleveland, Comanche, Cotton, Craig, Creek, Custer, Delaware, Dewey, Ellis, Garfield, Garvin, Grady, Grant, Greer, Harmon, Harper, Hughes, Jackson, Jefferson, Johnston, Kay, Kingfisher, Kiowa, Lincoln, Logan, Love, McClain, McCurtain, Major, Marshall, Mayes, Murray, Noble, Nowata, Okfuskee, Oklahoma, Okmulgee, Osage, Ottawa, Pawnee, Payne, Pontotoc, Pottawatomie, Pushmataha, Roger Mills, Rogers, Seminole, Stephens, Texas, Tillman, Tulsa, Wagoner, Washington, Washita, Woods, Woodward.

Oregon

Counties of Baker, Benton, Clackamas, Clatsop, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Grant, Harney, Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Malheur, Marion, Multnomah, Polk, Union, Wasco, Washington, Yamhill.

South Dakota

Counties of Bennett, Brown, Clark, Codington, Day, Deuel, Fall River, Grant, Hamlin, Marshall, Roberts, Shannon, Spink, Todd.

Texas

Counties of Anderson, Andrews, Angelina, Aransas, Archer, Armstrong, Atascosa, Austin, Bailey, Bandera, Bastrop, Baylor, Bee, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazoria, Brazos, Brewster, Briscoe, Brooks, Brown, Burleson, Burnet, Caldwell, Calhoun, Callahan, Cameron, Camp, Carson, Cass, Castro, Chambers, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Collingsworth, Colorado, Comal, Comanche, Concho, Cooke, Coryell, Cottle, Crane, Crockett, Crosby, Dallam, Dallas, Dawson, Deaf Smith, Delta, Denton, DeWitt, Dickens, Dimmit, Donley, Duval, Eastland, Ector, Edwards, Ellis, El Paso, Erath, Falls, Fannin, Fayette, Fisher, Floyd, Foard, Fort Bend, Franklin, Freestone, Frio, Gaines, Galveston, Garza, Gillespie, Glasscock, Goliad, Gonzales, Gray, Grayson, Gregg, Grimes, Guadalupe, Hale, Hall, Hamilton, Hansford, Hardeman, Hardin, Harris, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hockley, Hood, Hopkins, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jasper, Jefferson, Jim Hogg, Jim Wells, Johnson, Jones, Karnes, Kaufman, Kendall, Kenedy, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, Lamar, Lamb, Lampasas, La Salle, Lavaca, Lee, Leon, Liberty, Limestone, Lipscomb, Live Oak, Llano, Lubbock, Lynn, McCulloch, McLennan, McMullen, Madison, Marion, Martin, Mason, Matagorda, Maverick, Medina, Menard, Midland, Milam, Mills, Mitchell, Montague, Montgomery, Moore, Morris, Motley, Nacogdoches, Navarro, Newton, Nolan, Nueces, Ochiltrie, Oldham, Orange, Palo Pinto, Panola, Parker, Parmer, Pecos, Polk, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Refugio, Roberts, Robertson, Rockwall, Runnels, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Shelby, Sherman, Smith, Somervell, Starr, Stephens, Sterling,

Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Tyler, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Victoria, Walker, Waller, Ward, Washington, Webb, Wharton, Wheeler, Wichita, Wilbarger, Willacy, Williamson, Wilson, Winkler, Wise, Wood, Yoakum, Young, Zapata, Zavala.

Utah

Counties of Beaver, Box Elder, Cache, Carbon, Daggett, Davis, Duchesne, Emery, Garfield, Grand, Iron, Juab, Kane, Millard, San Juan, Sanpete, Summit, Tooele, Uintah, Utah, Wasatch, Washington, Wayne, Weber.

Washington

County of Adams, Benton, Chelan, Clark, Cowlitz, Douglas, Ferry, Franklin, Grant, Grays Harbor, Jefferson, King, Kitsap, Kittitas, Lewis, Lincoln, Mason, Okanogan, Pacific, Pierce, Skamania, Stevens, Thurston, Wahkiakum, Walla Walla, Yakima.

Wisconsin

Counties of Adams, Buffalo, Chippewa, Clark, Columbia, Crawford, Dunn, Eau Claire, Jackson, Juneau, La Crosse, Monroe, Pepin, Pierce, Polk, Richland, Saint Croix, Sauk, Trempealeau, Vernon, Wood.

Wyoming

Counties of Albany, Big Horn, Campbell, Carbon, Converse, Fremont, Goshen, Hot Springs, Johnson, Lincoln, Natrona, Niobrara, Park, Platte, Sheridan, Sublette, Sweetwater, Uinta, Washakie, Weston.