

Sale of Livestock on Account of Drought

Cross References

- Notice 2016-60

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 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 2016-60 states the 12-month period ending August 31, 2016 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 2016 (or, in the case of a fiscal year taxpayer, at the end of the fiscal year that includes August 31, 2016), 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 Baldwin, Bibb, Blount, Calhoun, Chambers, Cherokee, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Elmore, Etowah, Fayette, Franklin, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Macon, Madison, Marion, Marshall, Morgan, Pickens, Randolph, Russell, Saint Clair, Shelby, Talladega, Tallapoosa, Tuscaloosa, and Walker.

Arizona

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

Arkansas

Counties of Arkansas, Ashley, Bradley, Calhoun, Chicot, Clark, Cleveland, Columbia, Dallas, Desha, Drew, Faulkner, Garland, Grant, Hempstead, Hot Spring, Howard, Jefferson, Lafayette, Lee, Lincoln, Little River, Lonoke, Miller, Monroe, Montgomery, Nevada, Ouachita, Perry, Phillips, Pike, Polk, Prairie, Pulaski, Saline, Scott, Sevier, Union, and Yell.

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, and Yuba.

Colorado

County of Baca.

Connecticut

Counties of Hartford, Litchfield, Tolland, and Windham.

Florida

Counties of Broward, Collier, Escambia, Miami-Dade, Monroe, and Palm Beach.

Georgia

Counties of Baldwin, Banks, Barrow, Bartow, Bibb, Bleckley, Bulloch, Burke, Butts, Candler, Carroll, Catoosa, Chattooga, Cherokee, Clarke, Clayton, Cobb, Coweta, Crawford, Dade, Dawson, DeKalb, Douglas, Effingham,

Elbert, Emanuel, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Gordon, Greene, Gwinnett, Habersham, Hall, Haralson, Harris, Hart, Heard, Henry, Houston, Jackson, Jasper, Jenkins, Lamar, Laurens, Lincoln, Lumpkin, Madison, Meriwether, Monroe, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pike, Polk, Pulaski, Putnam, Rabun, Rockdale, Screven, Spalding, Stephens, Talbot, Taliaferro, Towns, Troup, Twiggs, Union, Upson, Walker, Walton, Washington, White, Whitfield, Wilkes, and Wilkinson.

Hawaii

Counties of Hawaii, Kauai, and Maui.

Idaho

Counties of Adams, Benewah, Blaine, Boise, Bonner, Boundary, Butte, Camas, Canyon, Clark, Clearwater, Custer, Elmore, Fremont, Gem, Gooding, Idaho, Jefferson, Jerome, Kootenai, Latah, Lemhi, Lewis, Lincoln, Minidoka, Nez Perce, Owyhee, Payette, Shoshone, Twin Falls, Valley, and Washington.

Kansas

Counties of Barber, Comanche, and Morton.

Louisiana

Parishes of Acadia, Allen, Ascension, Assumption, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, 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, Ouachita, Pointe Coupee, Rapides, Red River, Richland, Sabine, 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, and Winn.

Maine

Counties of Androscoggin, Cumberland, Kennebec, Knox, Lincoln, Sagadahoc, and York.

Massachusetts

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

Michigan

Counties of Genesee, Shiawassee, and Wayne.

Minnesota

Counties of Big Stone, Douglas, Grant, Otter Tail, Traverse, and Wilkin.

Mississippi

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

Montana

Counties of Beaverhead, Big Horn, Broadwater, Carbon, Carter, Cascade, Deer Lodge, Fallon, Flathead, Gallatin, Glacier, Granite, Jefferson, Lake, Lewis and Clark, Lincoln, Madison, Mineral, Missoula, Park, Pondera, Powder River, Powell, Ravalli, Sanders, Silver Bow, Stillwater, Sweet Grass, Teton, Toole, and Yellowstone.

Nebraska

Counties of Adams, Clay, Franklin, Kearney, and Webster.

Nevada

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

New Hampshire

Counties of Belknap, Cheshire, Hillsborough, Merrimack, Rockingham, and Strafford.

New Mexico

Counties of Lea, Roosevelt, and Union.

New York

Counties of Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chemung, Cortland, Erie, Genesee, Jefferson, Lewis, Livingston, Monroe, Niagara, Onondaga, Ontario, Orleans Oswego, Schuyler, Seneca, Steuben, Suffolk, Tioga, Tompkins, Wayne, Wyoming, and Yates.

North Carolina

Counties of Alexander, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, McDowell, Mecklenburg, Polk, Rutherford, Swain, Transylvania, Union, and Yancey.

North Dakota

Counties of Bowman, Richland, and Slope.

Ohio

Counties of Allen, Ashland, Auglaize, Champaign, Clark, Crawford, Cuyahoga, Erie, Geauga, Hancock, Hardin, Holmes, Huron, Lake, Logan, Lorain, Madison, Marion, Mercer, Miami, Morrow, Richland, Seneca, Shelby, Union, Van Wert, Wayne, Wood, and Wyandot.

Oklahoma

Counties of Atoka, Beckham, Bryan, Carter, Cherokee, Choctaw, Cimarron, Comanche, Cotton, Ellis, Garvin, Greer, Harmon, Harper, Jackson, Jefferson, Johnston, Kiowa, Le Flore, Love, Marshall, McCurtain, Murray, Muskogee, Pontotoc, Pushmataha, Roger Mills, Stephens, Texas, Tillman, Wagoner, Woods, and Woodward.

Oregon

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

Pennsylvania

Counties of Bradford, Cameron, Centre, Clearfield, Clinton, Elk, Erie, Lycoming, McKean, Potter, Susquehanna, and Tioga.

Puerto Rico

Municipios (municipalities) of Aguas Buenas, Aibonito, Arroyo, Barranquitas, Bayamon, Caguas, Canovanas, Carolina, Catano, Cayey, Ceiba, Cidra, Coamo, Comerio, Corozal, Culebra, Dorado, Fajardo, Guayama, Guaynabo, Gurabo, Humacao, Juncos, Las Piedras, Loiza, Luquillo, Manati, Maunabo, Morovis, Naguabo, Naranjito, Orocovis, Patillas, Rio Grande, Salinas, San Juan, San Lorenzo, Santa Isabel, Toa Alta, Toa Baja, Trujillo Alto, Vega Alta, Vega Baja, Vieques, and Yabucoa.

Rhode Island

County of Providence.

South Carolina

Counties of Abbeville, Allendale, Anderson, Bamberg, Barnwell, Berkeley, Calhoun, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Darlington, Dorchester, Edgefield, Fairfield, Florence, Greenville, Greenwood, Hampton, Jasper, Kershaw, Lancaster, Lee, Lexington, McCormick, Oconee, Orangeburg, Pickens, Richland, Saluda, Spartanburg, Sumter, Union, Williamsburg, and York.

South Dakota

Counties of Butte, Custer, Fall River, Harding, Lawrence, Meade, Pennington, Perkins, and Roberts.

Tennessee

Counties of Bedford, Bledsoe, Blount, Bradley, Coffee, Cumberland, Franklin, Giles, Grundy, Hamilton, Hardin, Lawrence, Lincoln, Loudon, Marion, Marshall, Maury, McMinn, Meigs, Monroe, Moore, Polk, Rhea, Roane, Sequatchie, Van Buren, and Warren.

Texas

Counties of Anderson, Angelina, Archer, Atascosa, Bandera, Bastrop, Baylor, Bell, Bexar, Blanco, Bosque, Bowie, Brazos, Brown, Burleson, Burnet, Caldwell, Callahan, Camp, Cass, Castro, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Comal, Comanche, Concho, Cooke, Coryell, Cottle, Crosby, Dallas, Deaf Smith, Delta, Denton, DeWitt, Dickens, Dimmit, Eastland, Ellis, Erath, Falls, Fannin, Fayette, Fisher, Floyd, Foard, Franklin, Freestone, Frio, Garza, Gillespie, Gonzales, Grayson, Gregg, Grimes, Guadalupe, Hale, Hamilton, Hardeman, Harrison, Haskell, Hays, Hemphill, Henderson, Hill, Hockley, Hood, Hopkins, Houston, Hunt, Jack, Jasper, Johnson, Jones, Karnes, Kaufman, Kendall, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, La Salle, Lamar, Lampasas, Lavaca, Lee, Leon, Limestone, Lipscomb, Live Oak, Llano, Lubbock, Madison, Marion, Mason, Maverick, McCulloch, McLennan, McMullen, Medina, Menard, Milam, Mills, Mitchell, Montague, Montgomery, Morris, Motley, Nacogdoches, Navarro, Newton, Nolan, Nueces, Palo Pinto, Panola, Parker, Polk, Rains, Red River, Robertson, Rockwall, Runnels, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Shelby, Smith, Somervell,

Stephens, Sterling, Stonewall, Sutton, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Tyler, Upshur, Uvalde, Val Verde, Van Zandt, Walker, Washington, Webb, Wheeler, Wichita, Wilbarger, Williamson, Wilson, Wise, Wood, Yoakum, Young, and Zavala.

Utah

Counties of Beaver, Box Elder, Carbon, Davis, Duchesne, Juab, Millard, Piute, Salt Lake, Sanpete, Sevier, Summit, Tooele, Utah, Wasatch, and Weber.

Washington

Counties of Adams, Asotin, Benton, Chelan, Clallam, Clark, Columbia, Cowlitz, Douglas, Ferry, Franklin, Garfield, Grant, Grays Harbor, Island, Jefferson, King, Kitsap, Kittitas, Klickitat, Lewis, Lincoln, Mason, Okanogan, Pacific, Pend Oreille, Pierce, San Juan, Skagit, Skamania, Snohomish, Spokane, Stevens, Thurston, Wahkiakum, Walla Walla, Whatcom, Whitman, and Yakima.

Wyoming

Counties of Big Horn, Campbell, Converse, Crook, Johnson, Natrona, Niobrara, Park, Sheridan, Teton, Washakie, and Weston.