

# Sale of Livestock on Account of Drought

## Cross References

- Notice 2018-79

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 2018-79 states the 12-month period ending August 31, 2018 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 2018 (or, in the case of a fiscal year taxpayer, at the end of the fiscal year that includes August 31, 2018), 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, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Cherokee, Chilton, Clarke, Cleburne, Coffee, Conecuh, Covington, Crenshaw, Cullman, Dale, DeKalb, Escambia, Etowah, Fayette, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lee, Limestone, Lowndes, Macon, Madison, Marshall, Mobile, Monroe, Montgomery, Pickens, Pike, Russell, Saint Clair, Shelby, Sumter, Talladega, Tuscaloosa, Walker, Winston.

### **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, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Chicot, Clark, Clay, Cleburne, Cleveland, Columbia, Conway, Craighead, Crawford, 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, Randolph, Saint Francis, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, Stone, Union, Van Buren, Washington, White, Woodruff, Yell.

### **California**

Counties of Del Norte, Fresno, Imperial, Kern, Kings, Los Angeles, Madera, Mariposa, Merced, Modoc, Monterey, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Siskiyou, Tulare, Ventura.

### **Colorado**

Counties of Alamosa, Archuleta, Baca, Bent, Boulder, Chaffee, Cheyenne, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Eagle, Elbert, El Paso, Fremont, Garfield, Gilpin, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, La Plata, Larimer, Las Animas, Lincoln, Mesa, Mineral, Moffat, Montezuma, Montrose, Otero, Ouray, Park, Pitkin, Prowers, Pueblo, Rio Blanco, Rio Grande, Routt, Saguache, San Juan, San Miguel, Summit, Teller.

### **District of Columbia**

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### **Florida**

Counties of Bay, Broward, Calhoun, Collier, Escambia, Franklin, Gadsden, Gulf, Hendry, Holmes, Jackson, Jefferson, Lee, Leon, Liberty, Madison, Miami-Dade, Monroe, Okaloosa, Palm Beach, Santa Rosa, Taylor, Wakulla, Walton, Washington.

### **Georgia**

Counties of Appling, Atkinson, Bacon, Baker, Bartow, Berrien, Brantley, Brooks, Bryan, Bulloch, Calhoun, Camden, Catoosa, Charlton, Chatham, Chattahoochee, Chattooga, Clay, Clinch, Coffee, Colquitt, Cook, Crisp, Dade, Decatur, Dooly, Dougherty, Early, Echols, Effingham, Evans, Floyd, Gilmer, Glynn, Gordon, Grady, Irwin, Jeff Davis, Lanier, Lee, Liberty, Long, Lowndes, McIntosh, Macon, Marion, Miller, Mitchell, Murray, Muscogee, Pierce, Polk, Quitman, Randolph, Schley, Screven, Seminole, Stewart, Sumter, Tattnall, Taylor, Terrell, Thomas, Tift, Turner, Walker, Ware, Wayne, Webster, Whitfield, Wilcox, Worth.

### **Hawaii**

Counties of Hawaii, Kauai, Maui.

### **Idaho**

Counties of Bonner, Boundary, Canyon, Cassia, Clearwater, Kootenai, Owyhee, Payette, Shoshone, Washington.

### **Illinois**

Counties of Adams, Calhoun, Greene, Hancock, Henderson, Jersey, Macoupin, Madison, Mercer, Monroe, Randolph, Rock Island, Saint Clair, Warren.

### **Iowa**

Counties of Adair, Allamakee, Appanoose, Clarke, Davis, Decatur, Des Moines, Henry, Jasper, Jefferson, Keokuk, Lee, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Monroe, Polk, Ringgold, Tama, Taylor, Union, Van Buren, Wapello, Warren, Wayne, Winneshiek.

### **Kansas**

Counties of Allen, Anderson, Atchison, Barber, Barton, Bourbon, Brown, Butler, Chase, Chautauqua, Cherokee, Clark, Clay, Coffey, Comanche, Cowley, Crawford, Dickinson, Doniphan, Douglas, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Franklin, Geary, Gove, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Harvey, Haskell, Hodgeman, Jackson, Jefferson, Johnson, Kearny, Kingman, Kiowa, Labette, Lane, Leavenworth, Lincoln, Linn,

Lyon, McPherson, Marion, Marshall, Meade, Miami, Montgomery, Morris, Morton, Nemaha, Neosho, Ness, Osage, Osborne, Ottawa, Pawnee, Pottawatomie, Pratt, Reno, Rice, Riley, Rush, Russell, Saline, Scott, Sedgwick, Seward, Shawnee, Stafford, Stanton, Stevens, Sumner, Trego, Wabaunsee, Wallace, Wichita, Wilson, Woodson, Wyandotte.

### **Louisiana**

Parishes of Avoyelles, Bienville, Bossier, Caddo, Caldwell, Catahoula, Claiborne, Concordia, De Soto, East Carroll, Franklin, Grant, Jackson, La Salle, Lincoln, Madison, Morehouse, Natchitoches, Ouachita, Rapides, Red River, Richland, Sabine, Tensas, Union, Vernon, Webster, West Carroll, Winn.

### **Maine**

Counties of Cumberland, Hancock, Knox, Lincoln, Sagadahoc, Waldo.

### **Maryland**

City of Baltimore. Counties of Anne Arundel, Baltimore, Charles, Harford, Howard, Montgomery, Prince George's.

### **Michigan**

Counties of Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Kalkaska, Mackinac, Montmorency, Oscoda, Otsego, Presque Isle.

### **Minnesota**

Counties of Beltrami, Fillmore, Houston, Koochiching, Lake of the Woods, Marshall, Pennington, Roseau.

### **Mississippi**

Counties of Attala, Bolivar, Choctaw, Claiborne, Hinds, Holmes, Issaquena, Jefferson, Kemper, Lauderdale, Leake, Lowndes, Madison, Neshoba, Newton, Noxubee, Oktibbeha, Rankin, Scott, Sharkey, Warren, Washington, Winston, Yazoo.

### **Missouri**

City of Saint Louis. Counties of Adair, Andrew, Atchison, Audrain, Barry, Barton, Benton, Boone, Buchanan, Butler, Caldwell, Callaway, Camden, Carroll, Carter, Cass, Cedar, Chariton, Christian, Clark, Clay, Clinton, Cole, Cooper, Crawford, Dade, Dallas, Daviess, DeKalb, Dent, Douglas, Dunklin, Franklin, Gasconade, Gentry, Greene, Grundy, Harrison, Hickory, Holt, Howard, Howell, Iron, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lewis, Lincoln, Linn, Livingston,

McDonald, Macon, Madison, Maries, Mercer, Moniteau, Monroe, Morgan, New Madrid, Newton, Nodaway, Oregon, Osage, Ozark, Pemiscot, Pettis, Phelps, Platte, Polk, Pulaski, Putnam, Randolph, Ray, Reynolds, Ripley, Saint Charles, Saint Clair, Sainte Genevieve, Saint Francois, Saint Louis, Saline, Schuyler, Scotland, Shannon, Shelby, Stoddard, Stone, Sullivan, Taney, Texas, Vernon, Warren, Washington, Wayne, Webster, Worth, Wright.

### **Montana**

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

### **Nebraska**

Counties of Pawnee, Richardson.

### **Nevada**

Counties of Clark, Elko, Humboldt, Washoe.

### **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.

### **New York**

Counties of Clinton, Essex, Franklin, Hamilton, Warren.

### **North Carolina**

Counties of Cabarrus, Caswell, Catawba, Chatham, Cherokee, Clay, Cleveland, Columbus, Cumberland, Davidson, Davie, Durham, Edgecombe, Forsyth, Franklin, Gaston, Graham, Granville, Guilford, Halifax, Harnett, Hoke, Iredell, Johnston, Lee, Lincoln, Mecklenburg, Montgomery, Moore, Nash, Northampton, Orange, Person, Randolph, Richmond, Robeson, Rockingham, Rowan, Scotland, Stanly, Stokes, Surry, Union, Vance, Wake, Warren, Yadkin.

### **North Dakota**

Counties of Adams, Barnes, Benson, Billings, Bottineau, Bowman, Burke, Burleigh, Cass, Cavalier, Dickey, Divide, Dunn, Eddy, Emmons, Foster, Golden Valley, Grand Forks, Grant, Griggs, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McKenzie, McLean, Mercer, Morton, Mountrail, Nelson, Oliver, Pembina, Pierce, Ramsey, Ransom, Renville, Richland, Rolette, Sargent, Sheridan, Sioux, Slope, Stark, Steele, Stutsman, Towner, Traill, Walsh, Ward, Wells, Williams.

### **Ohio**

Counties of Ashland, Columbiana, Coshocton, Cuyahoga, Erie, Fulton, Geauga, Guernsey, Holmes, Huron, Knox, Licking, Lorain, Lucas, Mahoning, Medina, Morrow, Muskingum, Ottawa, Portage, Richland, Sandusky, Stark, Summit, Trumbull, Tuscarawas, Wayne, Wood.

### **Oklahoma**

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

### **Pennsylvania**

Counties of Berks, Bradford, Carbon, Chester, Columbia, Dauphin, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Monroe, Montour, Northampton, Northumberland, Pike, Schuylkill, Sullivan, Susquehanna, Wayne, Wyoming, York.

### **Rhode Island**

Counties of Kent, Providence, Washington.

### **South Carolina**

Counties of Abbeville, Aiken, Allendale, Bamberg, Barnwell, Beaufort, Berkeley, Calhoun, Charleston, Chester, Chesterfield, Clarendon, Colleton, Darlington, Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Greenwood, Hampton, Horry, Jasper, Kershaw, Lancaster, Laurens, Lee, Lexington, McCormick, Marion, Marlboro, Newberry, Orangeburg, Richland, Saluda, Sumter, Union, Williamsburg, York.

### **South Dakota**

Counties of Aurora, Beadle, Bennett, Bon Homme, Brown, Brule, Buffalo, Butte, Campbell, Charles Mix, Clark, Codington, Corson, Custer, Davison, Day, Dewey, Douglas, Edmunds, Fall River, Faulk, Grant, Gregory, Haakon, Hand, Harding, Hughes, Hutchinson, Hyde, Jackson, Jerauld, Jones, Kingsbury, Lawrence, Lyman, McPherson, Marshall, Meade, Mellette, Miner, Oglala Lakota, Pennington, Perkins, Potter, Roberts, Sanborn, Spink, Stanley, Sully, Todd, Tripp, Walworth, Yankton, Ziebach.

### **Tennessee**

Counties of Anderson, Bedford, Bledsoe, Bradley, Campbell, Claiborne, Coffee, Dyer, Fentress, Franklin, Giles, Grainger, Grundy, Hamblen, Hamilton, Hancock, Hardin, Hawkins, Jefferson, Knox, Lake, Lauderdale, Lawrence, Lincoln, Loudon, McMinn, McNairy, Marion, Marshall, Meigs, Monroe, Moore, Morgan, Obion, Polk, Rhea, Scott, Sequatchie, Shelby, Union, Van Buren, Warren, Wayne.

### **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, Culberson, 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, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hockley, Hood, Hopkins, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jasper, Jeff Davis, 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, Loving, Lubbock, Lynn, McCulloch, McLennan, McMullen, Madison, Marion, Martin, Mason, Matagorda, Maverick, Medina, Menard, Midland, Milam, Mills, Mitchell, Montague, Moore, Morris, Motley, Nacogdoches, Navarro, Newton, Nolan, Nueces, Ochiltree, Oldham, Orange, Palo Pinto, Panola, Parker, Parmer, Pecos, Polk, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Reeves, Refugio, Roberts, Robertson, Rockwall, Runnels, Rusk, Sabine, San Augustine, 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, 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, Morgan, Piute, Rich, Salt Lake, San Juan, Sanpete, Sevier, Summit, Tooele, Uintah, Utah, Wasatch, Washington, Wayne, Weber.

#### **Vermont**

Counties of Addison, Bennington, Caledonia, Chittenden, Franklin, Grand Isle, Lamoille, Orange, Orleans, Rutland, Washington, Windham, Windsor.

#### **Virginia**

Cities of Alexandria, Bedford, Buena Vista, Charlottesville, Colonial Heights, Danville, Emporia, Fairfax, Falls Church, Fredericksburg, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Martinsville, Petersburg, Roanoke, Salem, Staunton, Waynesboro. Counties of Albemarle, Amelia, Amherst, Appomattox, Arlington, Augusta, Bedford, Botetourt, Brunswick, Buckingham, Campbell, Caroline, Charles City, Charlotte, Chesterfield, Culpeper, Cumberland, Dinwiddie, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Goochland, Greene, Greenville, Halifax, Hanover, Henrico, Henry, James City, King George, Loudoun, Louisa, Lunenburg, Madison, Mecklenburg, Montgomery, Nelson, New Kent, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Southampton, Spotsylvania, Stafford, Surry, Sussex, Warren, Westmoreland.

#### **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, Yakima.

#### **Wisconsin**

Counties of Clark, Crawford, Eau Claire, Grant, Jackson, Jefferson, Juneau, Kenosha, La Crosse, Marathon, Milwaukee, Monroe, Racine, Rock, Trempealeau, Vernon, Walworth, Waukesha, Wood.

#### **Wyoming**

Counties of Albany, Campbell, Carbon, Crook, Lincoln, Sheridan, Sweetwater, Uinta.