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## **Extended Livestock Replacement Period Applies in Areas of Extended Drought – IRS Updated Drought Areas**

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The IRS issued its annual Notice announcing those areas that are eligible for an extension of the replacement period for livestock that farmers and ranchers must sell because of severe weather conditions. For livestock owners in the listed areas that were anticipating that their replacement period would expire at the end of 2016 now have until the end of 2017 to replace the involuntarily converted livestock.

The IRS releases the annual Notice by the end of September. The Notice points out the change in the law concerning the involuntary conversion of livestock that was made a few years ago. Under that change, the usual four-year replacement period was extended to the end of a livestock producer's first tax year after the first drought-free year for a particular region. The purpose of the change was to give livestock producers in areas that have sustained long periods of drought additional time to find replacement property and be eligible for deferral of gain. The relief applies to any farm located in a county in one of the 37 states (and Puerto Rico) listed below as having suffered exceptional, extreme or severe drought conditions by the National Drought Mitigation Center (NDMC), during any weekly period between September 1, 2016, and August 31, 2017.

I.R.C. § 1033 allows non-recognition of gain for involuntarily converted livestock that is replaced with property that is similar or related in service or use. A farmer or rancher that sells an excess number (more than is typically sold in the normal course of business) of livestock (other than poultry) that have been held for draft, breeding, or dairy purposes can treat the excess sold as an involuntary conversion if the livestock are sold or exchanged solely on account of drought, flood, or other weather-related conditions. But, the livestock must be replaced with "like-kind" livestock. Normally, the replacement period is four years from the close of the first tax year in which any part of the gain from the conversion is realized. But, the Treasury has the discretion to extend the replacement period for taxpayers impacted by prolonged drought. In those areas, the replacement period is extended until the end of the taxpayer's first tax year

ending after the first drought-free year. So, if an area is designated as not having a drought-free year, the extended replacement period applies.

**Note:** The first drought-free year for a county (and all contiguous counties) is the first 12-month period that ends on Aug. 31; ends in or after the last year of the taxpayer's four-year replacement period; and does not include any weekly period for which exceptional, extreme or severe drought is reported for any location in the applicable region.

One way to determine if a taxpayer is in an area that has experienced exceptional, extreme or severe drought is to refer to the U.S. Drought Monitor maps that are produced on a weekly basis by the NDMC. Another way is to wait for the IRS to publish its list of counties, which they are supposed to do by the end of September each year. That's what they have now done for the year ending August 31, 2016, in Notice 2016-60, 2016-42 I.R.B.

Here's a list of the counties for which the 12-month period ending August 31, 2016, is not a drought-free year:

### **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, Burlason, 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.