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## **Extended Livestock Replacement Period Applies in Areas of Extended Drought – IRS Updated Drought Areas 2018**

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The IRS has 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 (Notice 2018-79, 2018-42 I.R.B.). For livestock owners in the listed areas that were anticipating that their replacement period would expire at the end of 2018 now have until the end of 2019 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 41 states (and the District of Columbia) 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, 2017, and August 31, 2018.

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, 2018, in Notice 2018-79, 2018-42 I.R.B.

Here's a list of the counties for which the 12-month period ending August 31, 2018, is *not* a drought-free year:

### **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**

## **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, Ochiltrie, 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, Greensville, 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.