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## **Extended Livestock Replacement Period Applies in Areas of Extended Drought – IRS Updated Drought Areas 2017**

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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 2017 now have until the end of 2018 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 42 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, 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, 2017, in Notice 2017-53, 2017-42.

Here's a list of the counties for which the 12-month period ending August 31, 2017, is *not* a drought-free year:

### **Alabama**

Counties of Autauga, Baldwin, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Cherokee, Chilton, Choctaw, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, DeKalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marengo, Marion, Marshall, Mobile, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, Saint Clair, Shelby, Sumter, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox, Winston.

### **Arizona**

Counties of Cochise, La Paz, Pima, Santa Cruz, Yuma.

### **Arkansas**

Counties of Arkansas, Ashley, Baxter, Benton, Boone, Bradley, Calhoun, Carroll, Chicot, Clark, Cleburne, Cleveland, Conway, Craighead, Crawford, Crittenden, 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, Saint Francis, Saline, Scott, Searcy, Sebastian, Sevier, Sharp, Stone, Union, Van Buren, Washington, White, Woodruff, Yell.

### **California**

Counties of Alameda, Alpine, Amador, Calaveras, Colusa, Contra Costa, El Dorado, Fresno, Imperial, Inyo, Kern, Kings, Lake, Lassen, Los Angeles, Madera, Mariposa, Merced, Mono, Monterey, Nevada, Orange, Placer, Plumas, Riverside, Sacramento, San Benito, San Bernardino, San Diego, San Joaquin, San Luis Obispo, Santa Barbara, Santa Clara, Santa Cruz, Sierra, Solano, Stanislaus, Tulare, Tuolumne, Ventura, Yolo.

## **Colorado**

Counties of Adams, Arapahoe, Baca, Boulder, Broomfield, Cheyenne, Denver, Douglas, Elbert, Jefferson, Kiowa, Larimer, Lincoln, Prowers, Weld.

## **Connecticut**

Counties of Fairfield, Hartford, Litchfield, Middlesex, New Haven, New London, Tolland, Windham.

## **District of Columbia**

District of Columbia.

## **Florida**

Counties of Alachua, Baker, Bay, Brevard, Calhoun, Charlotte, Citrus, Collier, Columbia, DeSoto, Dixie, Duval, Escambia, Franklin, Gadsden, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Martin, Monroe, Nassau, Okaloosa, Okeechobee, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Saint Lucie, Santa Rosa, Sarasota, Seminole, Sumter, Volusia, Wakulla, Walton, Washington.

## **Georgia**

Counties of Appling, Atkinson, Bacon, Baker, Baldwin, Banks, Barrow, Bartow, Ben Hill, Berrien, Bibb, Bleckley, Brantley, Brooks, Burke, Butts, Calhoun, Camden, Carroll, Catoosa, Charlton, Chattahoochee, Chattooga, Cherokee, Clarke, Clay, Clayton, Clinch, Cobb, Coffee, Colquitt, Columbia, Cook, Coweta, Crawford, Crisp, Dade, Dawson, Decatur, DeKalb, Dodge, Dooly, Dougherty, Douglas, Early, Echols, Elbert, Emanuel, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glascock, Glynn, Gordon, Grady, Greene, Gwinnett, Habersham, Hall, Hancock, Haralson, Harris, Hart, Heard, Henry, Houston, Irwin, Jackson, Jasper, Jeff Davis, Jefferson, Johnson, Jones, Lamar, Lanier, Laurens, Lee, Lincoln, Lowndes, Lumpkin, Macon, Madison, Marion, McDuffie, McIntosh, Meriwether, Miller, Mitchell, Monroe, Montgomery, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pierce, Pike, Polk, Pulaski, Putnam, Quitman, Rabun, Randolph, Richmond, Rockdale, Schley, Seminole, Spalding, Stephens, Stewart, Sumter, Talbot, Taliaferro, Taylor, Telfair, Terrell, Thomas, Tift, Towns, Treutlen, Troup, Turner, Twiggs, Union, Upson, Walker, Walton, Ware, Warren, Washington, Wayne, Webster, Wheeler, White, Whitfield, Wilcox, Wilkes, Wilkinson, Worth.

## **Hawaii**

Counties of Hawaii, Kauai, Maui.

## **Idaho**

Counties of Bonner, Boundary, Clearwater, Idaho, Shoshone.

## **Illinois**

Counties of Alexander, Hardin, Massac, Pope, Pulaski.

## **Indiana**

Counties of Clark, Floyd, Harrison, Jefferson, Scott, Switzerland, Washington.

## **Iowa**

Counties of Adair, Appanoose, Buena Vista, Calhoun, Cherokee, Clarke, Davis, Decatur, Jefferson, Keokuk, Lucas, Madison, Mahaska, Marion, Monroe, O'Brien, Plymouth, Pocahontas, Ringgold, Sac, Union, Van Buren, Wapello, Warren, Wayne, Woodbury.

## **Kansas**

Counties of Clark, Comanche, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearny, Lane, Meade, Morton, Ness, Scott, Seward, Stanton, Stevens, Wichita.

## **Kentucky**

Counties of Adair, Allen, Anderson, Ballard, Barren, Bath, Bell, Boone, Bourbon, Boyle, Bracken, Breathitt, Breckinridge, Bullitt, Butler, Caldwell, Calloway, Carlisle, Carroll, Carter, Casey, Christian, Clark, Clay, Clinton, Crittenden, Cumberland, Daviess, Edmonson, Elliott, Estill, Fayette, Fleming, Floyd, Franklin, Fulton, Gallatin, Garrard, Grant, Graves, Grayson, Green, Greenup, Hancock, Hardin, Harlan, Harrison, Hart, Henry, Hickman, Hopkins, Jackson, Jefferson, Jessamine, Johnson, Knott, Knox, Larue, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Livingston, Logan, Lyon, Madison, Magoffin, Marion, Marshall, Martin, Mason, McCracken, McCreary, McLean, Meade, Menifee, Mercer, Metcalfe, Monroe, Montgomery, Morgan, Muhlenberg, Nelson, Nicholas, Ohio, Oldham, Owen, Owsley, Pendleton, Perry, Pike, Powell, Pulaski, Robertson, Rockcastle, Rowan, Russell, Scott, Shelby, Simpson, Spencer, Taylor, Todd, Trigg, Trimble, Union, Warren, Washington, Wayne, Webster, Whitley, Wolfe, Woodford.

## **Louisiana**

Parishes of Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Cameron, 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, Orleans, Ouachita, Plaquemines, Pointe Coupee, Rapides, Red River, Richland, Sabine, Saint Bernard, 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, Winn Parish.

## **Maine**

Counties of Androscoggin, Aroostook, Cumberland, Franklin, Hancock, Kennebec, Knox, Lincoln, Oxford, Penobscot, Piscataquis, Sagadahoc, Somerset, Waldo, Washington, York.

## **Maryland**

Counties of Anne Arundel, Howard, Montgomery, Prince George's.

## **Massachusetts**

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

## **Mississippi**

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

## **Missouri**

Counties of Audrain, Benton, Boone, Butler, Callaway, Carroll, Chariton, Cole, Cooper, Dunklin, Howard, Johnson, Lafayette, Livingston, Macon, Mississippi, Moniteau, Monroe, Morgan, New Madrid, Pemiscot, Pettis, Randolph, Ray, Saline, Scott, Stoddard, Wayne.

## **Montana**

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

## **Nebraska**

Counties of Adams, Brown, Cedar, Cherry, Dakota, Dixon, Kearney, Keya Paha, Knox, Pierce, Rock, Wayne.

## **Nevada**

City of Carson City. Counties of Churchill, Douglas, Esmeralda, Humboldt, Lander, Lyon, Mineral, Nye, Pershing, Storey, Washoe.

## **New Hampshire**

Counties of Belknap, Carroll, Cheshire, Grafton, Hillsborough, Merrimack, Rockingham, Strafford, Sullivan.

## **New Jersey**

Counties of Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Sussex, Union, Warren.

## **New York**

Counties of Allegany, Bronx, Cattaraugus, Cayuga, Chautauqua, Chemung, Clinton, Columbia, Cortland, Dutchess, Erie, Essex, Franklin, Genesee, Greene, Hamilton, Jefferson, Lewis, Livingston, Monroe, Nassau, New York, Niagara, Onondaga, Ontario, Orange, Orleans, Oswego, Putnam, Queens, Richmond, Rockland, Saratoga, Schuylar, Seneca, Steuben, Suffolk, Sullivan, Tioga, Tompkins, Ulster, Warren, Washington, Wayne, Westchester, Wyoming, Yates.

## **North Carolina**

Counties of Alexander, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes, Yancey.

## **North Dakota**

Counties of Adams, Barnes, Benson, Billings, Bottineau, Bowman, Burke, Burleigh, Dickey, Divide, Dunn, Emmons, Golden Valley, Grant, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McKenzie, McLean, Mercer, Morton, Mountrail, Oliver, Pierce, Ransom, Renville, Sargent, Sheridan, Sioux, Slope, Stark, Stutsman, Ward, Wells, Williams.

## **Ohio**

Counties of Adams, Brown, Scioto.

## **Oklahoma**

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

## **Oregon**

Counties of Baker, Grant, Harney, Malheur, Morrow, Umatilla, Union, Wallowa.

## **Pennsylvania**

Counties of Berks, Bucks, Cameron, Carbon, Centre, Clearfield, Clinton, Elk, Erie, Lehigh, Lycoming, Monroe, Montgomery, Northampton, Pike, Potter, Tioga.

## **Rhode Island**

Counties of Bristol, Kent, Newport, Providence, Washington.

## **South Carolina**

Counties of Abbeville, Anderson, Cherokee, Chester, Edgefield, Fairfield, Greenville, Greenwood, Laurens, McCormick, Newberry, Oconee, Pickens, Saluda, Spartanburg, Union, York.

## **South Dakota**

Counties of Aurora, Beadle, Bennett, Brown, Brule, Buffalo, Butte, Campbell, Charles Mix, Clay, Corson, Custer, Davison, Dewey, Douglas, Edmunds, Fall River, Faulk, Gregory, Haakon, Hand, Hanson, Harding, Hughes, Hyde, Jackson, Jerauld, Jones, Lawrence, Lyman, McPherson, Meade, Mellette, Pennington, Perkins, Potter, Sanborn, Shannon, Spink, Stanley, Sully, Todd, Tripp, Union, Walworth, Yankton, Ziebach.

## **Tennessee**

Counties of Anderson, Bedford, Benton, Bledsoe, Blount, Bradley, Campbell, Cannon, Carroll, Carter, Cheatham, Chester, Claiborne, Clay, Cocke, Coffee, Crockett, Cumberland, Davidson, Decatur, DeKalb, Dickson, Dyer, Fayette, Fentress, Franklin, Gibson, Giles, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hardeman, Hardin, Hawkins, Haywood, Henderson, Henry, Hickman, Houston, Humphreys, Jackson, Jefferson, Johnson, Knox, Lake, Lauderdale, Lawrence, Lewis, Lincoln, Loudon, Macon, Madison, Marion, Marshall, Maury, McMinn, McNairy, Meigs, Monroe, Montgomery, Moore, Morgan, Obion, Overton, Perry, Pickett, Polk, Putnam, Rhea, Roane, Robertson, Rutherford, Scott, Sequatchie, Sevier, Shelby, Smith, Stewart, Sullivan, Sumner, Tipton, Trousdale, Unicoi, Union, Van Buren, Warren, Washington, Wayne, Weakley, White, Williamson, Wilson.

## **Texas**

Counties of Anderson, Angelina, Archer, Bastrop, Baylor, Bexar, Blanco, Bowie, Brooks, Caldwell, Cameron, Camp, Carson, Cass, Chambers, Cherokee, Childress, Collingsworth, Comal, Cottle, Delta, Dickens, Fannin, Foard, Franklin, Freestone, Grayson, Gregg, Hansford, Hardeman, Hardin, Harris, Harrison, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hopkins, Hunt, Hutchinson, Jasper, Kendall, Kenedy, King, Kleberg, Knox, Lamar, Liberty, Limestone, Lipscomb, Marion, McLennan, Morris, Motley, Nacogdoches, Navarro, Newton, Nueces, Ochiltree, Orange, Panola, Polk, Rains, Red River, Roberts, Rusk, Sabine, San Augustine, Shackelford, Shelby, Sherman, Smith, Starr, Stephens, Throckmorton, Titus, Tyler, Upshur, Van Zandt, Wheeler, Wichita, Willacy, Wood, Young.

## **Utah**

Counties of Carbon, Emery, Juab, Sanpete, Utah, Wasatch.

**Vermont**

Counties of Addison, Chittenden, Franklin, Grand Isle, Orange, Rutland, Washington, Windsor.

**Virginia**

Cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Norton.

Counties of Arlington, Buchanan, Culpeper, Dickenson, Fairfax, Fauquier, Lee, Loudoun, Louisa, Madison, Orange, Prince William, Russell, Scott, Spotsylvania, Stafford, Wise.

**Wyoming**

Counties of Big Horn, Campbell, Crook, Niobrara, Park, Sheridan, Teton, Weston.