

Extension of Replacement Period for Livestock Sold on Account of Drought

Notice 2019- 54

SECTION 1. PURPOSE

This notice provides guidance regarding an extension of the replacement period under § 1033(e) of the Internal Revenue Code for livestock sold on account of drought in specified counties.

SECTION 2. BACKGROUND

.01 Nonrecognition of Gain on Involuntary Conversion of Livestock. Section 1033(a) generally provides for nonrecognition of gain when property is involuntarily converted and replaced with property that is similar or related in service or use. Section 1033(e)(1) provides that a sale or exchange of livestock (other than poultry) held by a taxpayer for draft, breeding, or dairy purposes in excess of the number that would be sold following the taxpayer's usual business practices is treated as an involuntary conversion if the livestock is sold or exchanged solely on account of drought, flood, or other weather-related conditions.

.02 Replacement Period. Section 1033(a)(2)(A) generally provides that gain from an involuntary conversion is recognized only to the extent the amount realized on the conversion exceeds the cost of replacement property purchased during the replacement period. If a sale or exchange of livestock is treated as an involuntary conversion under § 1033(e)(1) and is solely on account of drought, flood, or other weather-related

conditions that result in the area being designated as eligible for assistance by the federal government, § 1033(e)(2)(A) provides 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. Section 1033(e)(2)(B) provides that the Secretary may extend this replacement period on a regional basis for such additional time as the Secretary determines appropriate if the weather-related conditions that resulted in the area being designated as eligible for assistance by the federal government continue for more than three years. Section 1033(e)(2) is effective for any taxable year with respect to which the due date (without regard to extensions) for a taxpayer's return is after December 31, 2002.

SECTION 3. EXTENSION OF REPLACEMENT PERIOD UNDER § 1033(e)(2)(B)

Notice 2006-82, 2006-2 C.B. 529, provides for extensions of the replacement period under § 1033(e)(2)(B). If a sale or exchange of livestock is treated as an involuntary conversion on account of drought and the taxpayer's replacement period is determined under § 1033(e)(2)(A), the replacement period will be extended under § 1033(e)(2)(B) and Notice 2006-82 until the end of the taxpayer's first taxable year ending after the first drought-free year for the applicable region. 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 four-year replacement period determined under § 1033(e)(2)(A); and (3) does not include any weekly period for which exceptional, extreme, or severe drought is reported for any location in the

applicable region. The applicable region is the county that experienced the drought conditions on account of which the livestock was sold or exchanged and all counties that are contiguous to that county.

A taxpayer may determine whether exceptional, extreme, or severe drought is reported for any location in the applicable region by reference to U.S. Drought Monitor maps that are produced on a weekly basis by the National Drought Mitigation Center. U.S. Drought Monitor maps are archived at <http://droughtmonitor.unl.edu/Maps/MapArchive.aspx>.

In addition, Notice 2006-82 provides that the Internal Revenue Service will publish in September of each year a list of counties¹ for which exceptional, extreme, or severe drought was reported during the preceding 12 months. Taxpayers may use this list instead of U.S. Drought Monitor maps to determine whether exceptional, extreme, or severe drought has been reported for any location in the applicable region.

The Appendix to this notice contains the list of counties for which exceptional, extreme, or severe drought was reported during the 12-month period ending August 31, 2019. Under Notice 2006-82, the 12-month period ended on August 31, 2019, is not a drought-free year for an applicable region that includes any county on this list. Accordingly, for a taxpayer who qualified for a four-year replacement period for livestock sold or exchanged on account of drought and whose replacement period is scheduled to expire at the end of 2019 (or, in the case of a fiscal year taxpayer, at the end of the

¹ The term "counties" in this notice includes boroughs, census areas, counties, islands, municipalities, or parishes.

taxable year that includes August 31, 2019), the replacement period will be extended under § 1033(e)(2) and Notice 2006-82 if the applicable region includes any county on this list. This extension will continue until the end of the taxpayer's first taxable year ending after a drought-free year for the applicable region.

SECTION 4. DRAFTING INFORMATION

The principal author of this notice is Lewis Saideman of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, please contact Mr. Saideman at (202) 317-7006 (not a toll-free call).

APPENDIX

Alabama

Counties of Barbour, Bibb, Chilton, Coffee, Covington, Dale, Geneva, Henry, Houston, Jefferson, Shelby, and Tuscaloosa.

Alaska

Municipality of Anchorage. Boroughs of Kenai Peninsula, Ketchikan Gateway, Kodiak Island, Lake and Peninsula, Matanuska-Susitna. Census Areas of Prince of Wales-Outer Ketchikan, Skagway-Hoonah-Angoon, Valdez-Cordova, Wrangell-Petersburg, and Yukon-Koyukuk.

Arizona

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

Arkansas

Counties of Columbia, Lafayette, and Union.

California

Counties of Del Norte, Humboldt, Imperial, Los Angeles, Modoc, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, Siskiyou, Trinity, and Ventura.

Colorado

Counties of Alamosa, Archuleta, Baca, Bent, Boulder, Chaffee, Clear Creek, Conejos, Costilla, Crowley, Custer, Delta, Dolores, Eagle, Elbert, El Paso, Fremont, Garfield, Gilpin, Grand, Gunnison, Hinsdale, Huerfano, Jackson, Kiowa, 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, and Summit.

Florida

Counties of Brevard, Holmes, Indian River, Jackson, Martin, Okaloosa, Palm Beach, Saint Lucie, and Walton.

Georgia

Counties of Atkinson, Bacon, Ben Hill, Berrien, Brantley, Bryan, Bulloch, Charlton, Chatham, Clay, Clinch, Coffee, Cook, Early, Effingham, Irwin, Jeff Davis, Lanier, Pierce, Screven, and Ware.

Hawaii

Counties of Hawaii, Honolulu, Kauai, and Maui.

Idaho

Counties of Bannock, Benewah, Bonner, Boundary, Canyon, Cassia, Franklin, Kootenai, Oneida, Owyhee, Payette, Power, Shoshone, Twin Falls, and Washington.

Illinois

Counties of Hancock, Henderson, Mercer, Rock Island, and Warren.

Iowa

Counties of Appanoose, Clarke, Davis, Decatur, Des Moines, Henry, Jefferson, Lee, Louisa, Lucas, Mahaska, Marion, Monroe, Ringgold, Van Buren, Wapello, and Wayne.

Kansas

Counties of Anderson, Atchison, Brown, Chase, Coffey, Dickinson, Douglas, Franklin,

Geary, Greenwood, Harvey, Jackson, Jefferson, Johnson, Leavenworth, Linn, Lyon, McPherson, Marion, Marshall, Miami, Morris, Nemaha, Osage, Pottawatomie, Riley, Saline, Shawnee, Wabaunsee, and Wyandotte.

Louisiana

Parishes of Bienville, Bossier, Caddo, Claiborne, De Soto, Jackson, Lincoln, Natchitoches, Red River, Union, Webster, and Winn.

Maine

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

Michigan

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

Minnesota

County of Marshall.

Missouri

Counties of Adair, Andrew, Audrain, Barry, Barton, Benton, Boone, Buchanan, Caldwell, Callaway, Carroll, Cass, Cedar, Chariton, Christian, Clark, Clay, Clinton, Cole, Cooper, Dade, Dallas, Daviess, DeKalb, Douglas, Gentry, Greene, Grundy, Harrison, Hickory, Holt, Howard, Jackson, Jasper, Johnson, Knox, Laclede, Lafayette, Lawrence, Lewis, Linn, Livingston, McDonald, Macon, Maries, Mercer, Moniteau, Monroe, Morgan, Newton, Nodaway, Osage, Pettis, Phelps, Platte, Polk, Pulaski, Putnam, Randolph, Ray, Saint Clair, Saline, Schuyler, Scotland, Stone, Sullivan, Taney, Webster, Worth, and Wright.

Montana

Counties of Blaine, Flathead, Lincoln, Mineral, Phillips, Sanders, and Valley.

Nevada

Counties of Clark, Elko, Humboldt, Washoe, and White Pine.

New Mexico

Counties of Bernalillo, Catron, Chaves, Cibola, Colfax, Curry, DeBaca, Eddy, Grant, Guadalupe, Harding, Lea, Lincoln, Los Alamos, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, Sandoval, San Juan, San Miguel, Santa Fe, Sierra, Socorro, Taos, Torrance, Union, and Valencia.

New York

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

North Dakota

Counties of Benson, Bottineau, Burke, Cavalier, Divide, Eddy, Foster, Grand Forks, Hettinger, McHenry, Mountrail, Nelson, Pembina, Pierce, Ramsey, Renville, Rolette, Sheridan, Stark, Towner, Walsh, Ward, and Wells.

Oklahoma

Counties of Beckham, Blaine, Caddo, Canadian, Carter, Cimarron, Comanche, Cotton, Custer, Ellis, Garvin, Grady, Greer, Harmon, Jackson, Jefferson, Kay, Kiowa, Love, McClain, Noble, Nowata, Osage, Pawnee, Roger Mills, Rogers, Stephens, Tillman, Tulsa, Washington, and Washita.

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, Wasco, Washington, Wheeler, and Yamhill.

South Carolina

Counties of Allendale, Barnwell, Beaufort, Berkeley, Charleston, Colleton, Dorchester, Hampton, and Jasper.

South Dakota

Counties of Brown, Edmunds, Faulk, Haakon, McPherson, Spink, and Ziebach.

Texas

Counties of Anderson, Aransas, Archer, Armstrong, Atascosa, Baylor, Bee, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazos, Briscoe, Brooks, Brown, Burleson, Burnet, Caldwell, Callahan, Camp, Carson, Cass, Castro, Cherokee, Childress, Clay, Coke, Coleman, Collingsworth, Comal, Comanche, Concho, Coryell, Cottle, Crosby, Culberson, Dallas, Dawson, Deaf Smith, Delta, Denton, Dickens, Dimmit, Donley, Duval, Eastland, Edwards, Ellis, Erath, Falls, Fisher, Floyd, Foard, Franklin, Freestone, Frio, Gaines, Garza, Gillespie, Glasscock, Gonzales, Gray, Gregg, Guadalupe, Hale, Hall, Hamilton, Hardeman, Harrison, Haskell, Hays, Hill, Hockley, Hood, Hopkins, Houston, Howard, Hudspeth, Jack, Jeff Davis, Jim Hogg, Jim Wells, Johnson, Jones, Kendall, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, Lamar, Lamb, Lampasas, La Salle, Leon, Limestone, Live Oak, Llano, Lubbock, Lynn, McCulloch, McLennan, McMullen, Madison, Marion, Martin, Mason, Maverick, Medina, Menard, Midland, Milam, Mills, Mitchell, Montague, Morris, Motley, Navarro, Nolan, Nueces, Oldham, Palo Pinto, Panola, Parker, Potter, Presidio, Randall, Reagan, Real, Red River, Refugio, Robertson, Runnels, Rusk, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Smith, Somervell, Starr, Stephens, Sterling, Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Travis, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Webb, Wheeler, Wichita, Wilbarger, Williamson, Wilson, Wise, Wood, Young, Zapata, and 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, and Weber.

Vermont

Counties of Addison, Chittenden, Franklin, Lamoille, Orleans, and Washington.

Washington

Counties of Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, King, Kitsap, Klickitat, Lewis, Mason, Pacific, Pend Oreille, Pierce, Skagit, Skamania, Snohomish, Stevens, Thurston, Wahkiakum, and Whatcom.

Wyoming

Counties of Carbon and Sweetwater.

Guam

Island of Guam.

Commonwealth of the Northern Mariana Islands

Islands of Rota and Saipan.

Commonwealth of Puerto Rico

Municipalities of Aibonito, Barranquitas, Cabo Rojo, Cayey, Cidra, Coamo, Comerio, Guanica, Guayama, Guayanilla, Juana Diaz, Lajas, Penuelas, Ponce, Sabana Grande, Salinas, Santa Isabel, Villalba, and Yauco.

United States Virgin Islands

Islands of Saint Croix and Saint Thomas.