

## **NEW YEAR'S CONSIDERATIONS: TAX RELIEF FOR FARMERS & RANCHERS HIT BY CONTINUING DROUGHT**

As a new year begins, it's the ideal time for farmers and ranchers to take stock of their operations from a taxation point-of-view. For example, in many parts of America 2013 provided a repeat performance of the terrible drought conditions that plagued 2012. Farmers and ranchers who were forced this past year to sell livestock due to drought should take note that the Internal Revenue Service has extended once more the period of time in which to replace the livestock and defer tax on any gains from the forced sales. To qualify, the livestock generally must be replaced within a four-year period. The IRS is authorized to extend this period if the drought continues.

The one-year extension of the replacement period generally applies to capital gains realized by eligible farmers and ranchers on sales of livestock held for draft, dairy or breeding purposes due to drought. Sales of other livestock, such as those raised for slaughter or held for sporting purposes, and poultry are not eligible.

The IRS provides this relief to any farm located in a county, parish, city or district, listed as suffering exceptional, extreme or severe drought conditions by the National Drought Mitigation Center (NDMC), during any weekly period between Sept. 1, 2012, and Aug. 31, 2013. All or part of 38 states are listed. Any county contiguous to a county listed by the NDMC also qualifies for this relief.

As a result, farmers and ranchers in these areas whose drought sale replacement period was scheduled to expire at the end of this tax year, Dec. 31, 2013, in most cases, will now have until the end of their next tax year. Because the normal drought sale replacement period is four years, this extension immediately impacts drought sales that occurred during 2009. However, because of previous drought-related extensions affecting some of these localities, the replacement periods for some drought sales before 2009 also may be affected. Additional extensions likely will be granted if severe drought conditions persist.

Details on this relief, including a list of NDMC-designated counties, are available in Notice 2013-62, which is accessible online at [IRS.gov](http://IRS.gov). Details on reporting drought sales and other farm-related tax issues can be found in [Publication 225](#), Farmer's Tax Guide, also available on the IRS web site.