



TaxNewsFlash

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Notice 2017-53: One-year extension of time to replace livestock, drought-related sales

The IRS today released an advance version of Notice 2017-53 announcing that farmers and ranchers who previously were forced to sell livestock due to drought in an “applicable region”—a county designated as eligible for federal assistance plus counties contiguous to that county—have an additional year to replace the livestock and defer tax on any gains from the forced sales pursuant to section 1033(e).

Read [Notice 2017-53](#) [PDF 38 KB]

As explained in a related IRS release—[IR-2017-164](#)—the tax relief generally applies to capital gains realized by eligible farmers and ranchers on sales of livestock held for draft, dairy or breeding purposes. Sales of other livestock, such as those raised for slaughter or held for sporting purposes, or poultry are not eligible. To qualify, the sales must be solely due to drought, flooding or other severe weather causing the region to be designated as eligible for federal assistance. Under these circumstances, livestock generally must be replaced within a four-year period, instead of the usual two-year period. The IRS is also authorized to further extend this replacement period if the drought continues.

One-year extension

Notice 2017-53 provides an extension of one year of the relief previously provided by the IRS in 2016, to allow eligible farmers and ranchers until the end of the tax year after the first drought-free year to replace the sold livestock. The IRS has provided this extension to farmers and ranchers located in applicable regions that qualified for the four-year replacement period if any county, parish, city, or district, that is included in the applicable regions is listed as suffering “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. A list of these counties is

provided in an appendix to Notice 2017-53, and includes all or part of 42 states, plus the District of Columbia.

Accordingly, farmers and ranchers in the applicable regions whose drought-sale replacement period was scheduled to expire at the end of the tax year ending December 31, 2017, will—in most cases—now have until the end of their next tax year.

- Because the normal drought sale replacement period is four years, this extension immediately affects drought sales that occurred during 2013.
- Because of previous drought-related extensions affecting some of these localities, the replacement periods for some drought sales before 2013 are also affected. The IRS may grant another extension(s) if severe drought conditions continue.

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