



## News Release

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### **Replacement Period Extended For Farmers Selling Livestock Because of Drought**

IR-2006-141, Sept. 8, 2006

WASHINGTON — Farmers affected by exceptional, extreme or severe drought conditions have been granted additional time to purchase replacement property for livestock they were forced to sell, the Internal Revenue Service announced today in Notice 2006-82.

When drought conditions result in an area being declared eligible for assistance by the federal government, taxpayers ordinarily have four years to replace — without recognizing any capital gain — the livestock that they were forced to sell because of the drought. For this purpose, the livestock in question must have been held for draft, breeding or dairy purposes.

Because of the intense, prolonged drought in parts of the United States, the IRS is providing additional time to replace livestock that was sold as a result of drought. Notice 2006-82 explains how a taxpayer can determine whether additional time is available. For example, the four-year replacement period scheduled to end on December 31, 2006, is extended for one additional year if, for any weekly period included in the 12-month period ending on August 31, 2006, severe, extreme or exceptional drought conditions were reported for any location in the county that experienced the drought that forced the sale of the livestock or for any location in a neighboring county. The replacement period may be further extended if the drought conditions persist after August 31, 2006.

To assist a taxpayer in determining whether his replacement period has been extended, the IRS will publish in September a list of counties that experienced exceptional, extreme or severe drought for the 12-month period ending on August 31, 2006. The list will be compiled after consultation with the National Drought Mitigation Center. The IRS expects to publish a similar list for succeeding years.

Taxpayers also may determine whether a county has experienced exceptional, extreme or severe drought conditions by referencing Drought Monitor maps produced by the National Drought Mitigation Center. For example, in determining whether the 12-month period ending on August 31, 2006, includes a period for which these drought conditions are reported, all maps with dates after August 31, 2005, and before September 8, 2006, are taken into account. U.S. Drought Monitor maps can be found at: <http://www.drought.unl.edu/dm/archive.html>.