

# Drought-related Tax Breaks Available to Livestock Producers

DALLAS, TEXAS (April 9, 2009) — Livestock producers forced to sell during drought conditions in 2008 are eligible for tax breaks offered by the IRS, experts say.

“As the April 15 reporting deadline approaches, it is important to review the income tax aspects of weather-related livestock sales,” said Jose Pena, a Texas AgriLife Extension Service economist based in Uvalde.

Producers who have already filed returns without the tax breaks can file amended returns to take advantage of the benefits, Pena said.

The IRS allows producers to defer taxes on drought-related livestock sales, said Lance Williams, producer relations specialist with the Texas Department of Agriculture in Austin.

“Producers can get specifics from their certified public accountants and the IRS tax codes,” Williams said.

In addition to the sale of livestock, the breaks also apply to animals purchased in the future as replacements, Pena said.

“Reporting income from the sale of inventory livestock may be delayed,” he said. “If you sell or exchange more livestock, including poultry, than you normally would in a year because of a drought, flood or other weather-related conditions, you may be able to postpone reporting the gain until the next year.”

The drought-related break on replacing livestock extends over two years, and up to four years if an area has been officially declared a disaster area, he said. The tax deferment for livestock sales allows a one-year postponement.

“Most producers who have more than 30 or 40 cows typically use CPAs who can help them,” Pena said. “We’re just reminding producers as the deadline approaches that these tax treatments are available.”

For more information, please visit <http://www.irs.gov/pub/irs-pdf/p225.pdf> and [http://www.irs.gov/irb/2008-42\\_IRB/ar10.html](http://www.irs.gov/irb/2008-42_IRB/ar10.html).

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