

COW/CALF CORNER

The Newsletter

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Income Tax Relief for Drought or Weather-Related Sale of Livestock

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If you have sold more livestock than normal due to the drought or other weather related conditions, there are a couple of income tax provisions that may provide some relief. **All 77 Oklahoma counties have been designated for federal assistance and received disaster declarations from the president or by an agency or department of the federal government.** Each provision may allow a producer to reduce the tax consequences of bunching of income if certain conditions are met. The following information is general in nature. For a more detailed discussion of the rules, reporting requirements, and examples, get a copy of the OSU Extension publication (AGEC-788: Tax Consequences of Weather-Related Sale of Livestock) available at your local County Extension office or online at <http://www.beefextension.com> in the drought information area.

The first, applies to a producer who has sold more livestock than normal due to the adverse weather. The income from the animals which were sold that were in excess of normal sales may be postponed until the following tax year when the income would have normally been recognized. However certain conditions must be met. The weather related condition must have caused the area to receive a “disaster declaration”. **Producers in all 77 counties are eligible to use this provision if they meet the following qualifications.** In addition the producer's principal business must be farming and use the cash method of accounting. The producer must show that the livestock would normally have been sold in the following year. The weather-related conditions that caused an area to be declared a disaster area must have caused the sale of

livestock. This provision applies to any livestock sold in excess of normal due to weather related conditions. [Refer to IRS Code Section 451(e)].

The second provision only applies to breeding, dairy, or draft animals that were sold in excess of normal. For the animals sold in excess of normal, a producer may elect to replace the animals sold, within a two year period, with like animals (used for the same purpose) and thus defer the recognition of income until the new animals are sold. Unlike the first rule, there is no need for a disaster declaration, all that is needed is proof that drought conditions existed which caused the sale of additional animals. However if an area has received a disaster declaration made by the president or by an agency or department of the federal government, the replacement period is extended to **four** years not just two. **Again, producers in all 77 counties are eligible to use this provision and the replacement period has been extended to four years if they meet the qualifications discussed in this and the following paragraph.**

The replacement animals must be for the same use as the animals sold. For example, a producer must replace dairy cows with dairy cows or breeding cows with breeding cows. In addition if, for example, the excess animals were sold for \$10,000, the producer will need to buy \$10,000 or more of replacements to completely defer the gain from the sale. A producer must repurchase the same dollar amount of animals which were sold in excess of normal, not the number of excess animals sold. If only \$8,000 is spent on the new animals then \$2,000 must be recaptured on amended tax return and the tax paid. There is no requirement as to how long the animals were held by the taxpayer in order to receive this treatment, but the producer must provide evidence of the weather condition and a calculation of the gain for each number and kind of animal sold. [Refer to IRS Code Section 1033(e)]

A producer must evaluate the following points to determine whether it will be beneficial to postpone gain recognition by replacing the animals or electing the one-year deferral. The estimated amount of expenses for the following tax year, potential income tax and capital gain rates for future tax years, net operating loss carry-forward amounts, the ability to use income averaging, or other tax items the producer may have. It is important to do some extensive tax planning to make a sound economic decision concerning the two elections. The potential increase in rates expected to occur in 2013 and later will have a definite impact on the decision.

This is only a brief discussion of the rules that apply to weather related sales of livestock. Please consult your tax preparer or advisor for additional information concerning the income tax implications that would apply to your specific business situation.

Plan Ahead to Reduce Risk of Grass Tetany

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Because of drought and short forage supplies in 2011-2012, more than ever Oklahoma producers are looking to wheat pasture for winter feed for mature beef cows. Grass tetany, caused by magnesium and/or calcium deficiency, does not seem to be a major problem in Oklahoma although occasional cases are reported. It typically occurs in beef cows during early lactation and is more prevalent in older cows. The reason is thought to be that older cows are less able to

mobilize magnesium and calcium reserves from the bones than are younger cows. Grass tetany most frequently occurs when cattle are grazing lush immature grasses or small grains pastures and tends to be more prevalent during periods of cloudy weather. Symptoms include lack of coordination, salivation, excitability (aggressive behavior towards humans) and, in final stages, tetany, convulsions and death. If you see these symptoms contact your local veterinarian immediately. Afflicted cows can recover if treated soon enough. Symptoms of tetany from deficiencies of both minerals are indistinguishable without blood tests and the treatment consists of intravenous injections of calcium and magnesium gluconate, which supplies both minerals.

It is known that factors other than simply the magnesium content of the forage can increase the probability of grass tetany. High levels of potassium in forages can decrease absorption of magnesium and most lush, immature forages are high in potassium. High levels of nitrogen fertilization have also been shown to increase the incidence of tetany although feeding protein supplements has not. Other factors such as the presence of certain organic acids in tetany-causing forages have been linked with tetany. It is likely that a combination of factors, all related to characteristics of lush forage are involved.

When conditions for occurrence of tetany are suspected, cows should be provided mineral mixes containing 8 to 15 percent magnesium and be consumed at 3 to 4 ounces per day. It is best for the mineral supplements to be **started at least a month ahead of the period of tetany danger** so that proper intake can be established. Because tetany can also occur when calcium is low, calcium supplementation should also be included. Much more information about mineral supplementation and suggested mineral mixes to prevent tetany can be found in the Oklahoma State University [Extension Circular E-861: Vitamin and Mineral Nutrition of Grazing Cattle](#).

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