Newly purchased cattle generally are not immediately deductible just because they were bought. The tax treatment depends primarily on why the cattle were purchased: for resale, or for draft/breeding/dairy use. [3]

General rule

Section 167 allows depreciation for property used in a trade or business or held for the production of income. [1] Section 168 then supplies the MACRS rules for tangible property. [2]

For cattle, the key distinction is:

- cattle held primarily for sale are inventory or property held for resale, not depreciable business-use livestock; and
- cattle held for draft, breeding, or dairy purposes are capital assets used in the business and generally are recovered through depreciation unless included in inventory under an accrual/inventory method. [3]

If the cattle are bought for resale

If you are a cash-method farmer, the cost of livestock bought for resale is generally deducted only in the year of sale, not when purchased. [3]

Publication 225 states that when you sell farm products bought for resale, profit or loss is generally the selling price minus basis, usually cost. [3] So newly purchased feeder cattle or market cattle are generally not "expensed" on purchase; their cost is recovered when sold.

If you are required to keep inventories, livestock held primarily for sale must be included in inventory. [3]

If the cattle are bought for breeding or dairy use

Purchased breeding or dairy cattle are capital expenditures, not current deductions. Publication 225 states that amounts expended in purchasing work, breeding, dairy, or sporting animals are investments of capital and are depreciated unless included in inventory. [3]

Under IRC §168(e), breeding or dairy cattle are 5-year property. [2] Publication 225 likewise lists breeding and dairy cattle as 5-year property. [3]

Depreciation begins when the livestock reaches maturity—generally when breeding or dairy animals can be bred. [3]

Method

For farm 5-year property placed in service after 2017, GDS generally permits 200% declining balance, switching to straight line. [6] Under the half-year convention, the first-year MACRS percentage for 5-year property using 200% DB is 20%. [6]

Section 179 and bonus depreciation

Purchased breeding or dairy cattle may also qualify for accelerated cost recovery if otherwise eligible.

- Section 179 can apply to qualifying tangible personal property used in the business, and it is applied before bonus depreciation. [6]
- For 2025, the section 179 limit is $2,500,000, phased out above $4,000,000 of qualifying property placed in service; for 2026, those amounts are $2,560,000 and $4,090,000. [6] [7]
- Bonus depreciation under IRC §168(k) generally applies after section 179 and before regular MACRS. [6]

For property acquired before January 20, 2025, the bonus rate depends on placed-in-service year: 40% in 2025 and 20% in 2026. [6] For qualified property acquired after January 19, 2025, 100% bonus depreciation is restored. [6] [7]

Property acquired by gift or inheritance does not qualify for section 179 or bonus depreciation. [6]

Special allocation issue for pregnant cattle

If you buy a cow carrying a transplanted embryo, the purchase price must be allocated between the cow and the embryo/calf based on relative fair market values; you cannot simply assign the full purchase price to the cow. [4] That allocation affects whether basis is recovered through depreciation on the cow or through cost recovery when the calf is sold. [4]

Similarly, amounts paid to a seller for maintenance of cattle before the buyer actually acquires them are treated as part of purchase price, not as currently deductible maintenance expense. [5]

Conclusion

Newly purchased cattle are generally expensed as follows:

- resale cattle: not deducted when purchased; cost is recovered when sold (or through inventory accounting if applicable) [3]
- breeding/dairy cattle: capitalized and generally depreciated as 5-year MACRS property once placed in service/mature, unless included in inventory [3] [2]
- accelerated write-off may be available through section 179 and/or bonus depreciation if the cattle are qualifying business-use property and the statutory requirements are met [6]

If you want, I can apply these rules to a specific fact pattern—for example, feeder cattle vs. breeding herd, cash vs. accrual method, and whether the cattle were acquired before or after January 19, 2025.