

Example problem for forms:

You bought 100 acres of forestland in 2018. Contract price was \$116,000.

- Paid \$1,000 to survey boundaries
- Paid \$800 for title search & closing costs
- Paid \$1,500 to cruise timber
- Total acquisition cost \$119,300

Initial timber cruise:

- 1,000 cords of merchantable timber on 90 acres
- 10 acres of natural young growth timber

Fair market value on date of purchase:

- Merchantable timber \$26/cord
- Young growth \$200/acre
- Land \$800/acre

Basis Allocation:

<u>Asset</u>	<u>Fair Market Value</u>	<u>Proportion of Total Fair Market Value</u>	<u>Allocated Cost Basis</u>	<u>Per Unit Allocated Cost Basis</u>
Land	\$80,000			
Young Growth	\$2,000			
Merchantable Timber	\$26,000			
Totals				

In 2021 you sold 300 cords of the merchantable timber at a price of \$32/cord. Measuring volumes prior to the sale indicates that the stand had increased in volume by 200 cords over the two years. The consultant hired to help with the sale charged a fee of 10% of the sale proceeds.

Sales and Other Dispositions of Capital Assets

Department of the Treasury
Internal Revenue Service

▶ Go to www.irs.gov/Form8949 for instructions and the latest information.
▶ File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

Name(s) shown on return

Social security number or taxpayer identification number

Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part I Short-Term. Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.

Note: You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (A)** Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
- (B)** Short-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
- (C)** Short-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 1b (if Box A above is checked), line 2 (if Box B above is checked), or line 3 (if Box C above is checked) ▶								

Note: If you checked Box A above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See *Column (g)* in the separate instructions for how to figure the amount of the adjustment.

Name(s) shown on return. Name and SSN or taxpayer identification no. not required if shown on other side

Social security number or taxpayer identification number

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part II Long-Term. Transactions involving capital assets you held more than 1 year are generally long-term (see instructions). For short-term transactions, see page 1.

Note: You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box D, E, or F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- (D)** Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see **Note** above)
- (E)** Long-term transactions reported on Form(s) 1099-B showing basis **wasn't** reported to the IRS
- (F)** Long-term transactions not reported to you on Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	300 cords merch. timber	2018	2021	8,640	7,179			1,461
2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8b (if Box D above is checked), line 9 (if Box E above is checked), or line 10 (if Box F above is checked) ►				8,640	7,179			1,461

Note: If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See *Column (g)* in the separate instructions for how to figure the amount of the adjustment.

Forest Activities Schedule

▶ **Attach to your tax return.**
 ▶ **Information about Form T (Timber) and its separate instructions is at www.irs.gov/timber.**
 For tax year ending _____, 20_____.

Identifying number

Part I Acquisitions

1 Name of block and title of account				
2 Location of property (by legal subdivisions or map surveys)				
3a Name and address of seller or person from whom property was acquired				b Date acquired
4 Amount paid:				
a In cash				
b In interest-bearing notes				
c In non-interest-bearing notes				
5a Amount of other consideration				
b Explain the nature of other consideration and how you determined the amount shown on line 5a.				
.....				
6 Legal expenses				
7 Cruising, surveying, and other acquisition expenses				
8 Total cost or other basis of property. Add lines 4a through 7				
9 Allocation of total cost or other basis on books:	Unit	Number of units	Cost or other basis per unit	Total cost or other basis
a Forested land	Acre			
b Other unimproved land	Acre			
c Improved land (describe) ▶	Acre			
d Merchantable timber. Estimate the quantity of merchantable timber present on the acquisition date (see Regulations section 1.611-3(e)). Details of the timber estimate, made for purposes of the acquisition, should be available if your return is examined.	{			
e Premerchantable timber. Make an allocation here only if it is a factor in the total cost or value of the land.	{			
f Improvements (list separately)				
g Mineral rights				
h Total cost or other basis (same amount as line 8). Add lines 9a through 9g				

Part II Timber Depletion (see instructions)

1 Name of block and title of account ▶ _____

If you express timber quantity in thousand board feet (MBF), log scale, name the log rule used. If another unit of measure is used, provide details ▶ _____

	(a) Quantity	(b) Cost or other basis
2 Estimated quantity of timber and cost or other basis returnable through depletion at end of the preceding tax year	1,000 cords	28,716
3 Increase or decrease of quantity of timber required by way of correction		
4a Addition for growth (number of years covered ▶ <u>2</u>)	200 cords	
b Transfers from premerchantable timber account		
c Transfers from deferred reforestation account		
5 Timber acquired during tax year		
6 Addition to capital during tax year		
7 Total at end of tax year, before depletion. Add lines 2 through 6	1,200 cords	28,716
8 Unit rate returnable through depletion, or basis of sales or losses. Divide line 7, column (b), by line 7, column (a)		23.93/cord
9 Quantity of timber cut during tax year	300 cords	
10 Depletion for the current tax year. Multiply line 8 by line 9		7,179
11 Quantity of standing timber sold or otherwise disposed of during tax year		
12 Allowable as basis of sale. Multiply line 8 by line 11		
13 Quantity of standing timber lost by fire or other cause during tax year		
14 Allowable basis of loss plus any excess amount where decrease in FMV (before and after the casualty) exceeds the standard depletion amount, but not the block basis (see instructions)		
15 Total reductions during tax year:		
a In column (a), add lines 9, 11, and 13	300 cords	
b In column (b), add lines 10, 12, and 14		7,179
16 Net quantity and value at end of tax year. In column (a), subtract line 15a from line 7. In column (b), subtract line 15b from line 7	900 cords	21,537
17 Quantity of cut timber that was sold as logs or other rough products		
18 Section 631(a):		
a Are you electing, or have you made an election in a prior tax year that is in effect, to report gains or losses from the cutting of timber under section 631(a)? (see instructions)		<input type="checkbox"/> Yes <input type="checkbox"/> No
b Are you revoking your section 631(a) election (see instructions)?		<input type="checkbox"/> Yes <input type="checkbox"/> No
Effective date ▶		

Part III Profit or Loss From Land and Timber Sales (see instructions)

1 Name of block and title of account				
2 Location of property (by legal subdivisions or map surveys)				
3a Purchaser's name and address				b Date of sale
				6/10/21
4 Amount received:				
a In cash				9,600
b In interest-bearing notes				
c In non-interest-bearing notes				
5a Amount of other consideration				
b Explain the nature of other consideration and how you determined the amount shown on line 5a:				
.....				
6 Total amount received for property. Add lines 4a, 4b, 4c, and 5a				
7 Cost or other basis of property:				
	Unit	Number of units	Cost or other basis per unit	Total cost or other basis
a Forested land	Acre			
b Nonforested land	Acre			
c Improved land (describe) ▶	Acre			
d Merchantable timber. Estimate in detail the quantity of merchantable timber on the date of sale or exchange. Include the quantity of timber in each species of timber by diameter at breast height (DBH) classes. State the log rule used if the unit of measure is thousand board feet (MBF), log scale. If another unit of measure is used, provide details. ▶	cord	300	23.93/cord	7,179
			
			
			
			
			
			
			
			
			
e Premerchantable timber				
f Improvements (list separately)				
.....				
.....				
.....				
.....				
g Mineral rights				
h Total cost or other basis. Add lines 7a through 7g				
i Direct sale expenses (cruising, marking, selling)				960
8 Profit or loss. Subtract the sum of lines 7h and 7i from line 6				1,461

Part IV Reforestation and Timber Stand Activities (see instructions)

Account, block, tract, area, or stand ID for each Qualified Timber Property (QTP)	Kind of activity (burning, chopping, spraying, planting, seeding, thinning, pruning, fertilizing, etc.)	Number of acres treated	Total expenditures
1			
2 Total			
3 Total reforestation expenses			
4a Amount to be expensed under section 194(b). (See instructions for limitations)			
b Amount to be amortized under IRC 194(a), including remaining reforestation expenditures not expensed under section 194(b)			

Part V Land Ownership

Show all changes in land accounts. Attach as many additional sheets as needed, following the format of lines 1 through 6.

1 Name of block and title of account ▶ _____ _____	Acres	Total cost or other basis. Give amount of March 1, 1913 appreciation, if included	Average rate per acre
2 Balance at beginning of year			
3 Acquisitions during year			
4 Sales during year			
5 Other changes			
6 Balance at end of year. Add lines 2 and 3, subtract line 4 and add or subtract line 5			

Additional Information.

**SCHEDULE D
(Form 1120)**

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-IC-DISC, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF, or certain Forms 990-T.
▶ Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2021

Name

Employer identification number

Did the corporation dispose of any investment(s) in a qualified opportunity fund during the tax year? ▶ Yes No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b				
1b Totals for all transactions reported on Form(s) 8949 with Box A checked				
2 Totals for all transactions reported on Form(s) 8949 with Box B checked				
3 Totals for all transactions reported on Form(s) 8949 with Box C checked				
4 Short-term capital gain from installment sales from Form 6252, line 26 or 37				4
5 Short-term capital gain or (loss) from like-kind exchanges from Form 8824				5
6 Unused capital loss carryover (attach computation)				6 ()
7 Net short-term capital gain or (loss). Combine lines 1a through 6 in column h				7

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with Box D checked				
9 Totals for all transactions reported on Form(s) 8949 with Box E checked				
10 Totals for all transactions reported on Form(s) 8949 with Box F checked	8,640	7,179		1,461
11 Enter gain from Form 4797, line 7 or 9				11
12 Long-term capital gain from installment sales from Form 6252, line 26 or 37				12
13 Long-term capital gain or (loss) from like-kind exchanges from Form 8824				13
14 Capital gain distributions (see instructions)				14
15 Net long-term capital gain or (loss). Combine lines 8a through 14 in column h				15 1,461

Part III Summary of Parts I and II

16 Enter excess of net short-term capital gain (line 7) over net long-term capital loss (line 15)	16
17 Net capital gain. Enter excess of net long-term capital gain (line 15) over net short-term capital loss (line 7)	17
18 Add lines 16 and 17. Enter here and on Form 1120, page 1, line 8, or the applicable line on other returns	18

Note: If losses exceed gains, see *Capital Losses* in the instructions.