

Timber Taxation

Dr. Tamara L. Cushing

Hosted by Texas A&M Forest Service

February 4, 2025

Why forestry is unique

Is it agriculture?

Long-time horizon

Spread-out cash flows

Derived demand

Location dependent

Taxes and Forestry

One of greatest concerns

- Consistently in top 10 landowner concerns
- Can plan to minimize

Team approach to planning

No tax on annual gain, but risk of loss

Introduction

- Tax law is very complex
- Often hinges on details
- Always changing
- NOT tax advice



Agenda

Basis

Reforestation

Recovering Expenses

Taxation of Income

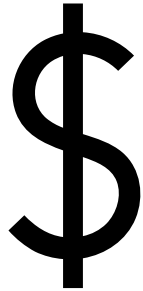
Dealing with Loss

Government Payments

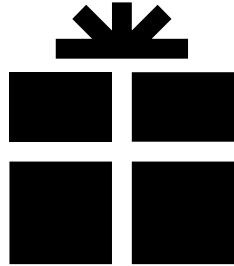
Keeping Records

What is basis & Why should we care?

- A measure of the accumulated cost of a purchased capital asset or assigned value of an inherited, exchanged or gifted asset for tax purposes
- Used at time of disposal
 - Sale: reduction of gain
 - Theft/natural disaster: determination of loss
 - Exchange: affects new property
 - Death/inheritance: affects new owner



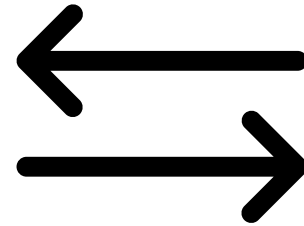
Purchase



Gift



Inherit



Exchange

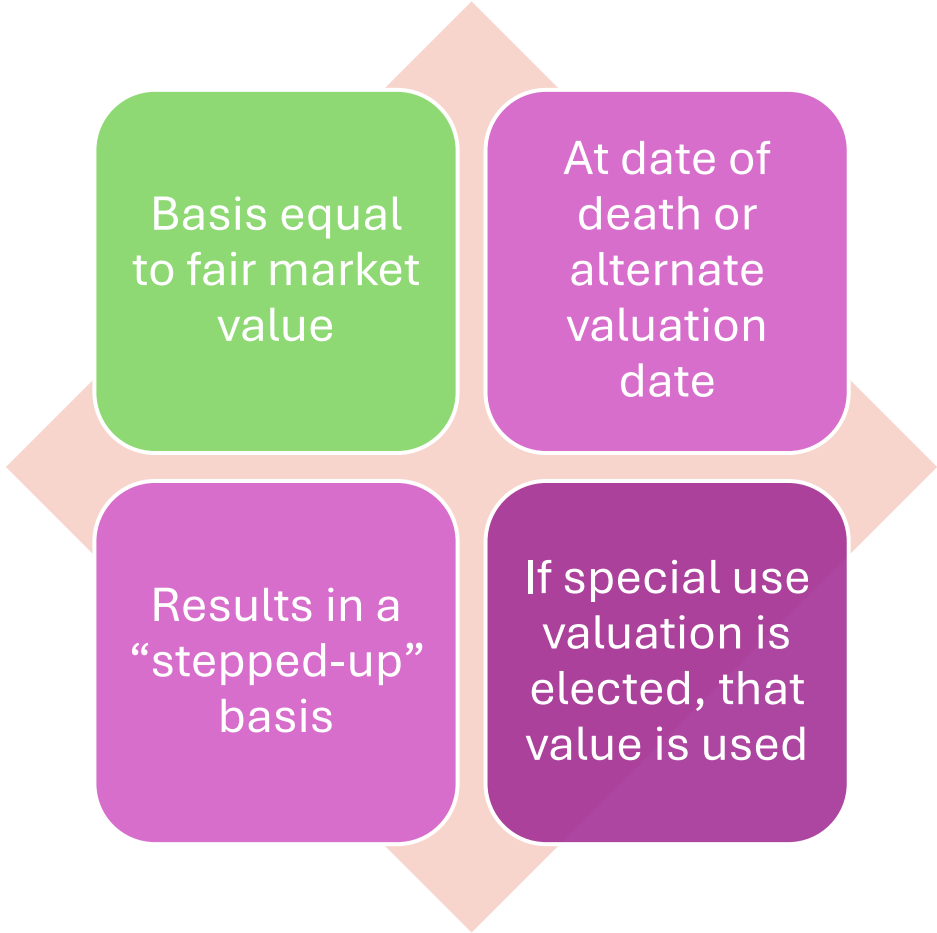
Determination of Basis

Purchased Property

Total amount paid

Includes attorney
fees, commissions,
sales taxes

Not indexed



Basis equal
to fair market
value

At date of
death or
alternate
valuation
date

Results in a
“stepped-up”
basis

If special use
valuation is
elected, that
value is used

Property
received
through
inheritance

Special-Use Valuation

Allows land to be valued at its current use rather than highest and best use

```
graph TD; A[Allows land to be valued at its current use rather than highest and best use] --> B[Up to $1,390,000 reduction in value (for 2024 deaths)]; B --> C[Estate tax exclusion for 2024 is $13.61 M];
```

Up to \$1,390,000 reduction in value
(for 2024 deaths)

Estate tax exclusion for 2024 is \$13.61
M

Types of accounts

Land

Pre-merchantable timber

Merchantable timber

Equipment

Depreciable property (buildings,
bridges, fences)

Many possibilities!

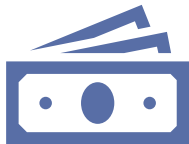
Accounts Needed

- Land: bare land, land improvements such as leveling costs, impoundments, permanent non-depreciable structures
- Depreciable assets: buildings, bridges, fences, etc.
- Equipment: planting machine, tractors, etc.

Accounts Needed

- Merchantable timber: record both quantity and dollar value (basis).
 - Keep units attached to quantity (cords, tons, MBF, etc.)
- Pre-merchantable timber: number of acres and basis
 - Site prep, planting costs
 - If purchased: allocated basis

Initial Purchase



Allocate purchase price between assets



Best indicator is comparable sales for land



Timber based on market prices and volumes

Initial Purchase Allocation

1. Determine total fair market value
2. Calculate percentage of fair market value for each asset
3. Multiply percentage by sales price to determine cost basis per asset

Step 1: Fair Market values



Land = \$65,000



Pre-merchantable Timber =
\$10,000



Merchantable Timber =
\$50,000



Total FMV = \$125,000


Step 2:
calculate
percentage
of Fmv

Asset Description	Fair Market Value	% of total FMV
Merchantable Timber	\$50,000	0.4
Land	\$65,000	0.52
<u>Premerch</u>	<u>\$10,000</u>	<u>0.08</u>
Totals	\$125,000	1.0

Step 3: Multiply to allocate basis

Asset Description	Fair Market Value	% of total FMV	Basis
Merchantable Timber	\$50,000	0.40	\$ 40,000
Land	\$65,000	0.52	\$ 52,000
Premerch	\$10,000	0.08	\$ 8,000
Totals	\$125,000	1.00	\$100,000

100,000
x .4



Sample basis allocation

Example problem for forms:

You bought 100 acres of forestland in 2019. Contract price was \$300,000.

- Paid \$1,000 to survey boundaries
- Paid \$6,000 for title search & closing costs
- Paid \$3,000 to cruise timber
- Total acquisition cost \$310,000

Initial timber cruise:

- 3,300 tons of merchantable timber on 75 acres
- 10 acres of natural young growth timber
- 15 acres of bare ground

Fair market value on date of purchase:

- Average price merchantable timber \$20/ton
- Young growth \$300/acre
- Land \$2,500/acre

How do I figure out basis if it was never done??

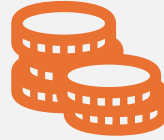
Called a retroactive basis determination

Same method as if figured at time of purchase, just requires research

Will need to determine timber prices

Volume estimation

Basis for New Stands



Costs of establishing trees



Record number of acres and basis

Once merchantable, record volume and basis



If used reforestation incentive, basis may be zero

Reforestation

Afforestation or
reforestation

Site prep, seed or
seedlings, brush
& weed control

Natural and
artificial
regeneration

Reforestation Tax Incentives



Outright deduction of expenses up to \$10K

Per qualified timber property

Per tax year



Remainder amortized over 84 months

Utilizing the Reforestation Incentive §194

- Investors take deduction on front of 1040, businesses on Schedule C or F (file Form 4562 depreciation and amortization)
- Can not be made on amended return!
- Trusts only eligible for amortization

Example Reforestation

Landowner spends \$15,000 on reforestation activities in 2023

- Deduct \$10,000 on 2023 return
- \$5,000 will be amortized (starting in 2023)
- Can have another \$10,000 deduction on new reforestation in 2024

- Recapture provisions for amortization
 - 10 years, gain on disposition

Reporting Reforestation

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 Stand 1	site preparation/planting	25	15,000
2 Total			15,000
3 Total reforestation expenses			15,000
4a Amount to be expensed under section 194(b). (See instructions for limitations)			10,000
b Amount to be amortized under IRC 194(a), including remaining reforestation expenditures not expensed under section 194(b)			5,000

Part V Land Ownership

Reporting reforestation – first year (2023)

Form 4562 Department of the Treasury Internal Revenue Service	Depreciation and Amortization (Including Information on Listed Property) Attach to your tax return. Go to www.irs.gov/Form4562 for instructions and the latest information.		OMB No. 1545-0172
			2023 Attachment Sequence No. 179
Name(s) shown on return Laurel Oakley	Business or activity to which this form relates Tree Farm	Identifying number 555-12-0987	
Part I Election To Expense Certain Property Under Section 179			

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2023 tax year (see instructions):					
Reforestation	7/1/23	5,000	194a	84 months	357.14
43 Amortization of costs that began before your 2023 tax year				43	0
44 Total. Add amounts in column (f). See the instructions for where to report				44	357.14

Part II Adjustments to Income

11	Educator expenses		11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106		12	
13	Health savings account deduction. Attach Form 8889		13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903		14	
15	Deductible part of self-employment tax. Attach Schedule SE		15	
16	Self-employed SEP, SIMPLE, and qualified plans		16	
17	Self-employed health insurance deduction		17	
18	Penalty on early withdrawal of savings		18	
19a	Alimony paid		19a	
	b Recipient's SSN			
	c Date of original divorce or separation agreement (see instructions): _____			
20	IRA deduction		20	
21	Student loan interest deduction		21	
22	Reserved for future use		22	
23	Archer MSA deduction		23	
24	Other adjustments:			
	a Jury duty pay (see instructions)	24a		
	b Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b		
	c Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c		
	d Reforestation amortization and expenses	24d	10,357.14	
	e Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e		
	f Contributions to section 501(c)(18)(D) pension plans	24f		
	g Contributions by certain chaplains to section 403(b) plans	24g		
	h Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h		
	i Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i		
	j Housing deduction from Form 2555	24j		
	k Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k		
	z Other adjustments. List type and amount: _____	24z		
25	Total other adjustments. Add lines 24a through 24z		25	
26	Add lines 11 through 23 and 25. These are your adjustments to income. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10		26	10,357.14

Reforestation Years 2-6

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.



Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2024 tax year (see instructions):					
43 Amortization of costs that began before your 2024 tax year				43	714
44 Total. Add amounts in column (f). See the instructions for where to report				44	

Tax Strategy!!!



Reforestation
incentive available
each tax year

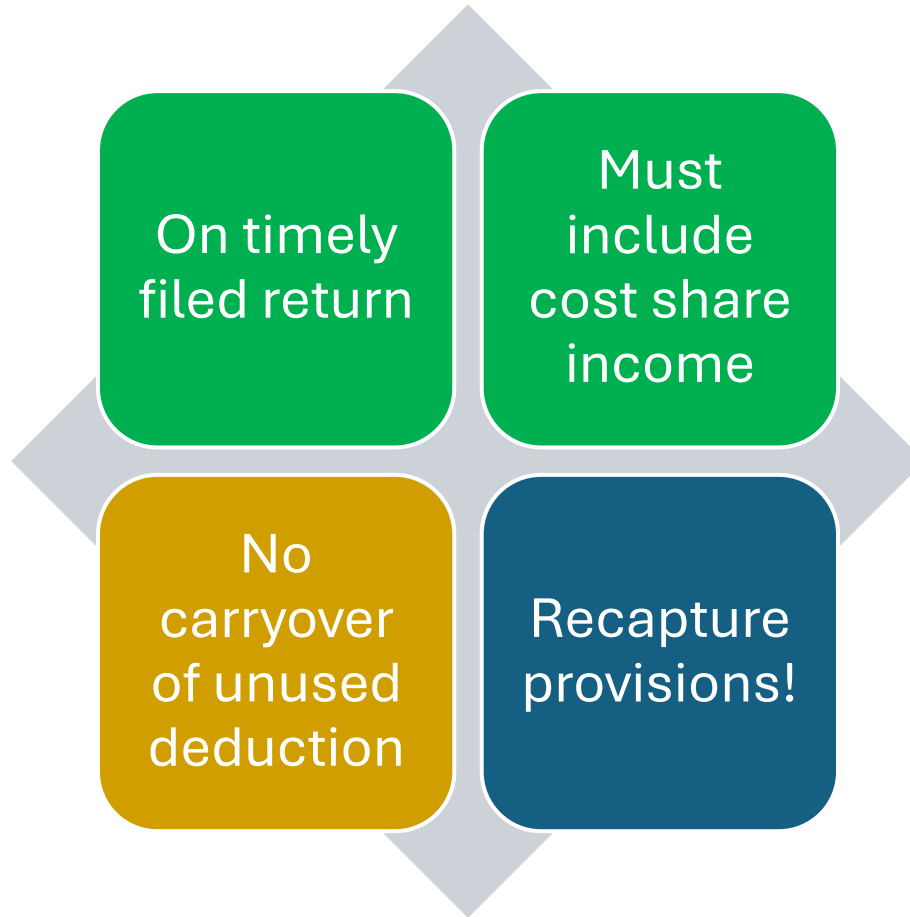


Forestry operations
often naturally
staggered



Take advantage of
staggering
operations

Notes on Reforestation Incentive



Types of expenses



Capital Expenses

- Capital improvements
 - Useful life of 1+years
 - Increase value of property
- Most capital expenses are related to land improvement, roads or equipment

Recovery of Capital Expense

Depreciation—
equipment, buildings

Amortization--
reforestation

Depletion—usually
for natural resources

Recovery of Expenses

- Land: basis recovered at time of sale or disposal of land
- Depreciable property: annual deduction for property used in business or held for production of income (investment)
 - Property that will wear out, decay, get used up, become obsolete or lose value naturally

Depreciation

- MACRS (modified accelerated cost recovery system)
 - “useful life”
- Unit of production: deductions taken proportionally over life of operation

Recovery of Expenses

- **Timber:**
 - **DEPLETION***
 - Recovered in proportion to volume sold
 - If all sold, entire basis is recovered
- **Deduction/Amortization available if you started the stand**
- **NOT DEPRECIATION**

Classification
of Activity

Business

Investment

Personal

Hobby

Personal Use



Property owned
primarily for recreation
or personal residence



No/minimal profit
motivation (just
covering the bills)



Investment



Motivated by profit



Lacking frequent
income production

Business

- Profit motivation
- Regular & continuous activity
- Indicators:
 - Carried on for livelihood or profit
 - Regular transactions
 - Time spent working

Business or Investment?

NO HARD AND FAST RULES

PROFIT NOW VS LATER

OTHER INCOME?

YOU WORK OR

MONEY WORKS?

FACTS & CIRCUMSTANCES

HOBBY

NOT ENGAGED IN FOR PROFIT

Presumption of Profit Motive

- Profit in three out of five tax years
- Do not need to make a profit to be operating a trade or business
 - Do need to show profit motive
 - Management plan!
- Failure allows IRS to question

Hobby Test

- Conducted in businesslike manner
- Expertise of taxpayer or advisor
- Time & effort expended
- Expectation of appreciation in value
- Success in other activities
- History of income & losses
- Amount of occasional profits earned
- Financial status
- Elements of personal pleasure

Facts &
Circumstances!

The factors

- Businesslike manner

- Profit
- Separate checking accounts
- Records
- Business plan
- Legal entity?

- Expertise of taxpayer or advisor

- Take classes
- Seek professional assistance (and do it)

The factors

- Time & effort expended
 - Document
 - Appropriate for profit
- Expectation of appreciation in value
 - Value of land?
 - Growth in timber
 - Quantity
 - Quality

The factors

- Success in other activities

- Have you done this before?
- Done anything similar?
- Dissimilar?

- History of income & loss

- Losses at beginning?
- Production timeline for income
- Losses beyond control (fire, ice?)
- Records

The factors

- Amount of occasional profits

- Large gains?
- Small recurring losses?
- Reasonable expectation of large future gain?

- Financial status

- Other sources of personal income?
- Smell test – losses to offset income
- Your why

The factors

- Elements of personal pleasure

- Would you keep doing this even if you never make money?
- Fun outweighing the effort and gain?
- This test is tough for forestry

- Facts & Circumstances

- Not any one factor decides
- Preponderance of evidence
- How does this compare to normal?

Why does it matter?



Ability to deduct expenses



Treatment of Income



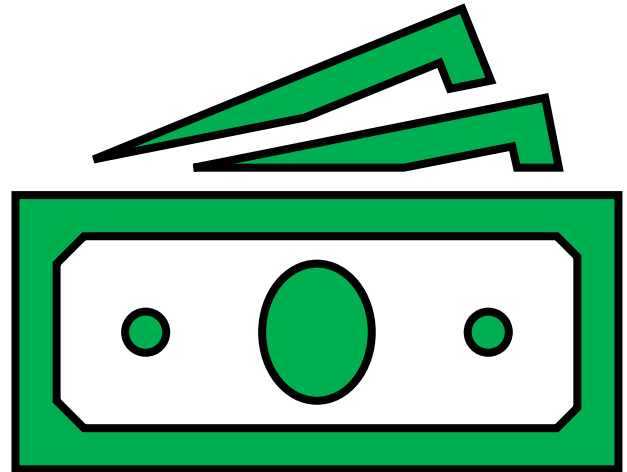
Handling of losses

Passive vs Active Business

- A business is considered “passive activity” if taxpayer doesn’t materially participate
 - See Pub 925
 - More than 500 hours during tax year
 - Substantially all the participation during year
 - More than 100 hours and as least as much as anyone else
 - Significant participation (total of multiple activities)
 - Facts & circumstances

Passive vs Active Business

- Income:
 - Passive: subject to NIIT
 - Active: not subject to NIIT
- Net losses:
 - Passive: carried forward (must offset with passive income)
 - Active: fully deductible in year incurred



Deductions

- Item that is currently used to reduce taxable income
- subtracted from gross income
 - Gross income = above the line deduction
 - Reforestation amortization, business deductions

Deductions

- subtracted from adjusted gross income
 - Adjusted Gross income = itemized deduction
- Only advantageous if your total itemized deductions exceed your standard deduction
 - **2023: \$14,600 S, \$29,200 MFJ**

Operating Expenses

Maintenance, ordinary & necessary

- Industry standard, profit motive, includes appreciation in value
- Managing or maintaining

Deduct in year of expense

Referred to as expensing

Deducting Expenses



Businesses deduct all “ordinary and necessary” expenses incurred for production or collection of income



Investors deduct expenses associated with production of income

Currently: suspension of miscellaneous itemized restricts deductions. Can still deduct property tax, will capitalize other expenses as carrying expenses



Personal Use: no deduction for expenses



Hobby: no deduction for expenses

Deductions

- Timber Cruise
 - For potential purchase
 - For management purposes
 - For sale purpose

Expense or Capitalize??

- Property taxes
- Herbicide
- Fertilizer
- Pre-commercial thinning

Roads

Temporary

Permanent
installation

Maintenance

Culverts



Which is better?

- Usually better to deduct
- Opportunity cost of capital

Harvest- related

Expenses associated with sale of timber

Cruise for sale, fees to forester for administration, marking

Subtract from revenue as sale expense on Form T, report as appropriate depending on whether business or investor classification.

Hobby expenses are not deductible!

Hobby TEST

- ✓ Not conducted in businesslike manner
- ✓ Expertise of taxpayer or advisor
- ✓ Time & effort expended
- ✓ Expectation of appreciation in value

Hobby

Presumed for profit if net income is earned from the property in any 3 of 5 consecutive years

If property fails the test, does not imply hobby. Profit includes appreciation in value.

Burden of proof on taxpayer

What about non-income producing years?

- Can you capitalize expenses instead of deducting?
 - Election
 - Only for non-productive years
 - Taxes, pruning, PCT
 - Consistency is key

Where to report expenses

1

SCHEDULE A FOR
INVESTORS
(ITEMIZED
DEDUCTIONS)

2

SCHEDULE C FOR
BUSINESSES

3

SCHEDULE F FOR
FARMERS

Types of income

- Ordinary income
 - Example: wages
 - 10 - 37%
- Capital Gains
 - Lower rates
 - Current 0, 15 & 20%
 - No self-employment tax (15.3%!)
 - Can be offset completely by capital losses

Capital gains



How long timber is held:

- Must be held for more than one year
- For gift, donor & donee's time counted
- No holding period if inherited

Types of Sales

- Lump sum sales
- Pay-as-cut sale
- Cut by owner, sold as logs

Lump Sum & Pay-as-cut

Outright sale of standing timber for fixed amount

Payment made at specified rate for each unit cut

- AKA Retained Economic Interest

Pay-as-cut

- §631 (b)
- Gain is treated as §1231 gain

Treatment of Income

- Income from timber sales sold “on the stump” qualify for capital gains
 - Businesses:
 - §631(b) sale on Form 4797
 - Personal use, investment, hobby:
 - lump sum sale § 1221, on Schedule D
 - Pay-as-cut sale §1231 under 631(b), Form 4797
 - If gains exceed losses, capital gain treatment
 - If losses exceed gains, ordinary loss

Treatment of Income

- Income from sale of logs is ordinary unless elect § 631(a)
 - Businesses:
 - Gain from growing timber: Form 4797
 - Gain from selling logs: Schedule C
 - Personal:
 - Ordinary income, non-self-employment

Example Clearcut Timber Sale

- Receive \$65,000 for sale
- Sales expenses are \$5,000

- Ordinary income bracket 35%
- Capital gains bracket 15%



Calculating the gain

- \$15,000 in basis account
- Sale proceeds – expenses – basis = gain
- $65,000 - 5,000 - 15,000 = 45,000$
- $45,000 \times (.15) = 6,750$ tax paid

Recovering Timber Basis

- Done through depletion
- Adjusted basis ÷ total volume of timber
- Calculated for each account

Example
Partial
Harvest

Adjusted basis
\$5,000

Total volume of
timber 800 tons

Depletion unit =
\$6.25/ton sold

Calculation of gain

- Sell 1/3 of timber (267 tons)
- Receive \$3,204 for timber
- Sale expenses of \$320

- $267 \text{ tons} \times \$6.25/\text{ton} = \$1,669$

- $\$3,204 - \$1,669 - \$320 = \$1,215$
 - Taxable Gain

Tax implications



\$1,215 taxable gain



Capital gains rate 15%



$\$1215 \times 0.15 = \182.25
taxes on sale



$\$3,204 - \$320 - \$182 =$
\$2,702 proceeds

Side Note

- Medicare Tax
 - on “net investment income”
- Income over \$200K/\$250K
- 3.8%
- Capital Gains
- Passive Activities

Timber sale Example

- In 2024 you sold 700 tons of merchantable timber at a price of \$23/ton.
- Prior measurement showed 3,300 tons, stand had increased in volume by 300 tons over the five years.
- \$65,100 in the basis account
- The consultant hired to help with the sale charged a fee of 10% of the sale proceeds.

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

1 Name of block and title of account
Piney Woods

2 Location of property (by legal subdivisions or map surveys)

3a Purchaser's name and address Troxel Lumber			b Date of sale 7/11/2023	
4 Amount received:			12,600	
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 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	34.20	10,260

Non- timber Products

- Edibles
- Decoratives (boughs, garland)
- Pine Straw
- Hunting leases

- Ordinary income

Tax Implications: Carbon

- Certain:
 - Carbon payments are taxable
- Uncertain:
 - Whether one or two taxable events
 - Whether it is ordinary or capital gains
 - Impact on property tax programs focused on timber
- Stay tuned...
 - But don't hold your breath

Conservation Easements

IRC §170(h)

- May be donated, sold or both
- Sold and amount received less than adjusted basis:
 - May not be tax liability
 - Basis decreased by amount of payment (IRS rev. rul)
- Sold and amount received greater than adjusted basis:
 - Basis decreased to zero
 - Excess is taxable gain
 - May be capital gain

Donated Conservation Easement

- Property held less than one year:
 - Deduction for contribution limited to donor's basis
- Donor's basis reduced by amount equal to proportionate reduction in value of land resulting from easement

IRS and CE



Documentation important



Good appraisal



Conservation purposes

Casualty Loss

Loss due to fire or storm

Identifiable event

- Sudden
- Unusual
- AND Unexpected

Casualty Loss

Lesser of

- Decrease in FMV
- Adjusted basis

Must take into
account salvage
and insurance
proceeds

- May result in
taxable gain

May postpone
gain by
replacement
within 2 years

Loss calculated
based on record-
keeping unit

Casualty Loss

Form **4684**
 Department of the Treasury
 Internal Revenue Service

Casualties and Thefts

Attach to your tax return.
 Use a separate Form 4684 for each casualty or theft.
 Go to www.irs.gov/Form4684 for instructions and the latest information.

OMB No. 1545-0177

2024
 Attachment
 Sequence No. **26**

Name(s) shown on tax return

Identifying number

SECTION A—Personal Use Property (Use this section to report casualties and thefts of property **not** used in a trade or business or for income-producing purposes. For tax years 2018 through 2025, if you are an individual, casualty or theft losses of personal-use property are deductible only if the loss is attributable to a federally declared disaster. You must use a separate Form 4684 (through line 12) for each casualty or theft event involving personal-use property. **If reporting a qualified disaster loss, see the instructions for special rules that apply before completing this section.**)

If the casualty or theft loss is attributable to a federally declared disaster, check here and enter the DR- _____ or EM- _____ declaration number assigned by FEMA. (See instructions.)

- Description of properties (show type, location (city, state, and ZIP code), and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft. If you checked the box and entered the FEMA disaster declaration number above, enter the ZIP code for the property most affected on the line for Property A.

	Type of Property	City and State	ZIP Code	Date Acquired
Property A				
Property B				
Property C				
Property D				

Handling of Losses

Operating Losses

- Investment: allowed
- Personal: not deductible
- Hobby: not deductible

Casualty Losses

- Investment: treated as business-use
- Personal: limited to federal disaster areas with reduction of \$100 per and 10% of AGI

Handling of Losses

Operating Losses

- Business Active: allowed
- Passive: carried forward

Casualty Losses

- Business: deductible

Cost Share Payments

- Income is taxable unless specifically excluded
- May qualify to exclude part of payment from income
- Must be payment determined by Sec. of Ag for conservation purpose
- May include in taxable income

Cost Share Payments

- Payment must be for capital expenditure
- Cannot exclude if deductible in year incurred
- Cannot deduct reforestation expense and exclude cost share

Excluding Cost Share

Greater of:

- 10% of avg. annual income for three tax year immediately prior

OR

- Amount equal to \$2.50 per acre times number of acres treated

Use interest rate from Farm Credit Bank

Cost share example

- Receive \$5,000 in cost-share through a qualifying program for reforestation of longleaf pine. Total cost for reforestation was \$15,000 on 100 acres.
- Harvest conducted in 2023 produced \$30,000 in income
- Interest rate of 5.7%

Cost Share Calculation w/income

- Excludable portion:
 1. $\$30,000/3 = \$10,000$
 2. $10,000 \times .1 = \$1,000$
 3. $1000 / 0.057 = \$17,543.86$
- Total payment of \$5,000 can be excluded,
- Use 194 for \$10,000

Cost Share Calculation w/out income

- Excludable portion:
 1. $\$2.50 \times 100 = \250
 2. $250 / 0.057 = \$4,386$
- Exclude \$4,386
- Use 194 for \$10,000
- Amortize remaining \$614 using 194a

Cost Share Payments

- When excluding:

Include statement showing total cost, amount of cost share, date received, purpose of payment, amount excluded and how amount was determined

Record Keeping



Be consistent



**Keep in mind the cost of
record keeping vs the benefit**

Not all tax preparers are alike

Niche
industry

Lumping in
with
agriculture

Form T

- Filed only if
 - Depletion deduction claimed
 - Elect §631(a) for sale
 - Outright sale of timber

Form T (Timber) (Rev. December 2013) Department of the Treasury Internal Revenue Service Name(s) as shown on return	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____.	OMB No. 1545-0007 Attachment Sequence No. 117 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		

Filing Exceptions

Only occasional sale of timber (1-2 sales every 3-4 years or less)

Maintain in records

If not filing Form T, still submit other appropriate forms (ex. 4562)

Record Keeping

Minimum 3 years for all records

Should keep 6 years

Fraud suspected?

Deductible expenses

Capitalized expenses

Resources

Forest Landowner's Guide to the Federal Income Tax, Ag Handbook 731

Hardwood Timber Industry Audit Technique Guide, online IRS guide

Tax Tips for Forest Landowners 2024 Tax Year

Youtube videos:
<https://www.youtube.com/user/TheFLTC>

Woodland Steward Tax Series 2022:
<https://sref.info/woodland-stewards/2022>

End Notes

Planning is
best defense!

- For income & estate tax

Don't structure
around taxes

- Financial and legal considerations

Questions

Tamara Cushing
tcushing@ufl.edu

The logo for UF IFAS Extension is contained within a white circle with an orange border. The circle is positioned on the right side of the slide, overlapping a dark blue vertical bar. The logo itself consists of the letters 'UF' in a bold, blue, sans-serif font, followed by a vertical line, then the words 'IFAS Extension' in a smaller, blue, sans-serif font, and 'UNIVERSITY of FLORIDA' in an even smaller, blue, sans-serif font below it.

UF | IFAS Extension
UNIVERSITY of FLORIDA