

## Appendix 2. IRS Form T (Timber)

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Who must file.** Complete and attach Form T to your income tax return if you:

- Claim a deduction for depletion of timber,
- Claim a deduction for depreciation of plant and other improvements relating to timber accounts, or
- Elect under section 631(a) to treat the cutting of timber as a sale or exchange.

Generally, you should file Form T to treat the cutting of timber as a sale of timber or if you are involved in other timber transactions.

Complete Form T in accordance with sections 611, 631, and 1231 and related regulations. **Complete only Schedules C and F if you are a small-woodlot owner whose only timber-related activity during the year was an isolated sale of timber.**

**Overview of form.** Form T has nine schedules. Use the following rules to determine which schedules to complete.

**Schedule A (optional).** If you do not file the Schedule A maps with Form T, you must make them available if your return is examined.

**Schedule B.** Complete for any year you acquire timber, timber cutting contracts, or forest land. Complete Schedule B whether the acquisition is a purchase, exchange, gift, or inheritance.

**Schedule C.** Complete for any year you sell or exchange timber, timber cutting contracts, or forest land.

**Schedule D.** Complete if you claim a loss on your income tax return for timber lost due to fire, wind, theft, or other causes.

**Schedule E.** Complete only if you pay or incur expenses for reforestation of forest land or for timber stand activities. Examples of reforestation expenses are costs for site preparation and for planting or seeding. Examples of timber stand activities are precommercial thinning and fertilization.

**Schedule F.** Complete for each timber account that has changed in quantity or dollar amount. A timber account may change in quantity or dollar amount as a result of acquisitions, dispositions, the cutting of timber, capitalized expenditures, casualty or theft losses, corrections, additions for growth, and transfers from other accounts. Use Schedule F to figure depletion for timber cut or the basis for timber sold or lost during the tax year. Also use Schedule F if you treat the cutting of timber as a sale or exchange under section 631(a).

**Schedule G.** Complete to show changes in ownership of land during the tax year.

**Schedule H (optional).** Complete if you incur expenses for the building of logging truck roads. If a timber company builds the road but later charges the landowner for the cost, the landowner should complete Schedule H. If you elect not to complete Schedule H, you must make the information available if your return is examined.

**Schedule I (optional).** Complete if you incur expenses for building drainage structures, such as ditches. If you elect not to complete Schedule I, you must make the information available if your return is examined.

For more information about Federal income tax rules and recordkeeping for forestry activities, see **Agriculture Handbook No. 708**, Forest Owners' Guide to the Federal Income Tax. To order this handbook, call 202-512-1800 (not a toll-free number) or write the Superintendent of Documents, U.S. Government Printing Office, Mail Stop SSOP Washington, DC 20402-9328. The handbook costs \$10.00 (subject to change); its GPO stock number is 001-000-04621-7.

### Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 37 hr., 4 min.
- Learning about the law or the form** . . . . . 35 min.
- Preparing and sending the form to the IRS** . . . . . 1 hr., 14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

### Schedule A Maps (Optional)

**1** This schedule consists of a map (or maps) of your timber properties. Whether you file the maps with your income tax return is your option, but you must make them available if your return is examined. Maps of convenient size are desirable, varying in scale from approximately 4 inches to the mile in small tracts to 1/2 inch to the mile in tracts larger than 200,000 acres. The maps should show your name and the tax year. Give standard map symbols in enough detail to

show clearly the location of: **(a)** timber cutting contracts acquired separately from the land; **(b)** forest lands acquired; **(c)** areas where you cut timber; **(d)** timber sold or otherwise disposed of under cutting contracts; **(e)** forest land sold or otherwise disposed of; and **(f)** forest land sold or otherwise disposed of with the timber cutting rights reserved to you or outstanding in third parties.

**Schedule B Acquisitions**

**2** Report acquisitions during the tax year (such as by purchase, exchange (whether taxable or not), gift, or inheritance) of timber, timber cutting contracts, or forest land. Report separately each acquisition of \$10,000 or more. You may combine acquisitions of less than \$10,000 for each account, and omit lines 4 and 5. For an acquisition by gift or inheritance, do not complete lines 6 through 8b. For an acquisition or lease of timber-cutting rights on a pay-as-cut basis, except for those under which all cutting is completed within the tax year, do not complete lines 6 through 10. Instead, briefly give the provisions of the purchase or lease agreement, including the number of years from the effective date to the expiration date, annual minimum cut or payment, and the payment rates for different kinds of timber and forest products. Follow the format of lines 3 through 10 on additional sheets if necessary.

**3** Name of block and title of account <sup>1</sup>  
**4** Location of property (by legal subdivisions or map surveys)

<b>5a</b> Name and address of seller or person from whom property was acquired	<b>b</b> Date acquired
<b>6</b> Amount paid: <b>a</b> In cash . . . . .	
<b>b</b> In interest-bearing notes . . . . .	
<b>c</b> In non-interest-bearing notes . . . . .	
<b>7a</b> Amount of other consideration . . . . .	
<b>b</b> Explain the nature of other consideration and how you determined the amount shown on line 7a: .....	
.....	
<b>8a</b> Legal expenses . . . . .	
<b>b</b> Cruising, surveying, and other acquisition expenses . . . . .	
<b>9</b> Total cost or other basis of property (add lines 6a through 8b) . . . . .	

<b>10</b> Allocation of total cost or other basis on books:	Unit	Number of units	Cost or other basis per unit	Total cost or other basis
<b>a</b> Forested land . . . . .	Acre			
<b>b</b> Other unimproved land . . . . .	Acre			
<b>c</b> Improved land (describe) ▶ .....	Acre			
<b>d</b> 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.)				
<b>e</b> Premerchantable timber. (Make an allocation here only if it is a factor in the total cost or value of the land.)				
<b>f</b> Improvements (list separately) ..... ..... ..... .....				
<b>g</b> Mineral rights . . . . .				
<b>h</b> Total cost or other basis (same as line 9) . . . . .				

<sup>1</sup> You must include your timber in one or more accounts. Generally, each account must include all your timber that is located in one "block." A block may be (a) an operational unit that includes all timber that would logically go to a single point of manufacture, (b) a logging unit that includes all timber that would logically be removed by a single logging development, or (c) an area established by the geographical or political boundaries of logical management areas. Timber acquired under a cutting contract may not be included in part of a block, but should be kept in separate accounts. For exceptional cases, the timber in a given block may be divided into two or more accounts. See Regulations section 1.611-3(d) for more information.

**Schedule C Profit or Loss From Land and Timber Sales**

**11** Generally, report all dispositions during the tax year (such as by sale or exchange, whether taxable or tax-free) of timber, timber-cutting contracts, or forest land. Do not report dispositions by gift or distributions made by an estate to a beneficiary.

Report each sale involving total consideration of \$10,000 or more. You may combine sales of less than \$10,000 for each timber or land account and omit lines 13 and 14 for each combined small sale. For a sale or lease of timber-cutting rights on a pay-as-cut basis, to be paid for at intervals during the cutting period according to the number of units cut, fill in

lines 15, 19, and 20 only for amounts that must be reported on your current year income tax return. Instead of filling in lines 16, 17, and 18, briefly state the provisions of the sale or lease agreement, including the number of years from the effective date to the expiration date, annual minimum cut or payment, and the payment rates for the different kinds of timber and forest products. You may combine small sales or leases of timber-cutting rights on a pay-as-cut basis that were completed within the tax year. Follow the format of lines 12 through 20 on additional sheets if necessary.

**12** Name of block and title of account

**13** Location of property (by legal subdivisions or map surveys)

<b>14a</b> Purchaser's name and address	<b>b</b> Date of sale
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<b>15</b> Amount received:	<b>a</b> In cash . . . . .	
	<b>b</b> In interest-bearing notes . . . . .	
	<b>c</b> In non-interest-bearing notes . . . . .	

**16** Amount received in other consideration . . . . .

**17** Explain the nature of other consideration and how you determined the amount shown on line 16 ▶

**18** Total amount received for property (add lines 15 and 16).

<b>19</b> Cost or other basis of property:	Unit	Number of units	Cost or other basis per unit	Total cost or other basis
<b>a</b> Forested land . . . . .	Acre			
<b>b</b> Nonforested land . . . . .	Acre			
<b>c</b> Improved land (describe) ▶ . . . . .	Acre			
<b>d</b> 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.)				
<b>e</b> Premerchantable timber . . . . .				
<b>f</b> Improvements (list separately) ..... ..... ..... .....				
<b>g</b> Mineral rights . . . . .				
<b>h</b> Total cost or other basis . . . . .				
<b>i</b> Direct sale expenses (cruising, marking, selling). . . . .				

**20** Profit or loss (line 18 less the total of lines 19h and 19i) . . . . .

**Schedule D Losses**

21 If you had losses during the tax year from fire, wind, theft, or other causes, and you claimed the loss on your income tax return, show separately the proof of loss for each timber account and complete lines 22 through 25.

22 Cause of loss

23 Location and area of land on which loss took place

24a Total loss before any insurance recovery . . . . .	
b Amount received from insurance . . . . .	
c Loss as claimed on tax return (line 24a less line 24b) . . . . .	

25 Explain in detail how you determined the total loss on line 24a.

**Schedule E Reforestation and Timber Stand Activities**

26 Summarize your expenses for reforestation and timber stand activities on this schedule. Keep detailed information to support the costs reported on Schedule E and make it available if your return is examined. Report on Schedule E expenses such as supplies, labor, overhead, transportation, tools, and depreciation on equipment.

**Site preparation.** Report all expenses incurred during the tax year for preparing the land for planting or seeding (including natural seeding). Include expenses for clearing the land of brush and cull trees by burning, disking, chopping, shearing and piling, spraying with herbicides, or other measures taken to aid successful site reforestation. Report separately for each depletion account, block, tract, or operating area tributary to a mill or mill complex. Report contract work separately from your employees' work.

**Planting or seeding.** Report the expenses you incurred during the tax year for planting seedlings or sowing seed to reforest the land. Report separately for each depletion account, block, tract, or operating area tributary to a mill or mill complex. Report contract work separately from your employees' work.

**Precommercial thinning or fertilization.** Report all expenditures that must be capitalized and items that you elect to capitalize. Also, list in a separate attachment items that are currently deductible. Report separately for each depletion account, block, tract, or operating area tributary to a mill or mill complex. Report contract work separately from your employees' work.

Account, block, tract, or area	Kind of activity (burning, chopping, spraying, planting, seeding, thinning, pruning, fertilizing, etc.)	Number of acres treated	Total expenditures
<b>Total</b> . . . . .			

**Schedule F Capital Returnable Through Depletion**

On lines 27 through 42, give the data for each timber account separately. Cover any changes that have taken place during the tax year. Attach as many additional pages of this schedule as needed. If you deplete on the block basis, combine new purchases with the opening balances and use

the average depletion rate shown on line 34 for all timber cut or sold, regardless of how long held. If you express timber quantity in MBF, log scale, name the log rule used ▶ .....

	(a) Quantity in MBF, log scale; cords; or other unit <sup>1</sup>	(b) Cost or other basis
27 Name of block and title of account ▶ .....		
28 Estimated quantity of timber and amount of capital returnable through depletion at end of the immediately preceding tax year . . . . .		
29 Increase or decrease of quantity of timber required by way of correction <sup>2</sup> . . . . .		
30a Addition for growth (period covered ▶ ..... years) . . . . .		
b Transfers from premerchantable timber account . . . . .		
c Transfers from deferred reforestation account . . . . .		
31 Timber acquired during year . . . . .		
32 Addition to capital during year <sup>3</sup> . . . . .		
33 Total at end of year, before depletion (add lines 28 through 32, in each column) . . . . .		
34 Unit rate returnable through depletion, or basis of sales or losses (line 33, column (b), divided by line 33, column (a)) . . . . .		
35 Quantity of timber cut during year . . . . .		
36 Depletion sustained (line 34 multiplied by line 35) . . . . .		
37 Quantity of standing timber sold or otherwise disposed of during year . . . . .		
38 Allowable as basis of sale (line 34 multiplied by line 37) . . . . .		
39 Quantity of standing timber lost by fire or other cause during year . . . . .		
40 Allowable basis of loss (line 34 multiplied by line 39) . . . . .		
41 Total reductions during year:		
a Add line 35, column (a); line 37, column (a); and line 39, column (a). . . . .		
b Add line 36, column (b); line 38, column (b); and line 40, column (b). . . . .		
42 Net quantity and value at end of year (line 33, column (a) less line 41a, column (a); and line 33, column (b) less line 41b, column (b)). . . . .		

<sup>1</sup> If MBF, log scale, is not the unit used, state what unit you used and explain it.  
<sup>2</sup> Adjust the quantity in MBF, log scale, or other unit remaining at the end of the year for changes in reinventory, standards of use, scattered and/or indefinitely ascertained losses, inaccuracy of the former estimate, or change in the log scale if the log rule now in use differs from the one used as basis for depletion in earlier years. If you make a change, clearly state the basis for it.  
<sup>3</sup> Analyze the addition to show the individual items included. Include expenditures for taxes, administration, protection, interest actually paid, etc., if you did not treat these expenditures as expense deductions on your return. Carry expenditures for reforestation, such as site preparation, planting, seeding, etc., in a separate deferred account.

43 Quantity of cut timber that was sold as logs or other rough products . . . . .	
44 Are you electing, or have you made an election in a prior tax year that is in effect, to report gain or loss from the cutting of timber in accordance with section 631(a)? (This election is binding for all eligible timber cut in the election year and all subsequent years. You may revoke the election only with IRS consent, unless you made the election for a tax year beginning before 1987.) . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," furnish the information asked for in items 45 through 51.	46 Furnish the date of acquisition of timber that was cut in the tax year, if acquired after March 1, 1913; the quantity of timber remaining (adjusted for growth, correction of estimates, changes in use, and any change in the log rule used); and the adjusted basis at the beginning of the tax year. State the acreage cut over and the amount of timber cut from it during the tax year and the log rule or other method you used to determine the quantity of timber cut. If you kept depletion accounts by separate tracts or purchases, give the information separately for each tract or timber purchase.  If you used an average depletion rate based on the average value or cost of a timber block in earlier years, the adjusted basis referred to in section 631(a) is the average basis shown on lines 34, after adjustment.
45 Gain or loss on standing timber as reported on Form 4797, Sales of Business Property. Show the adjusted basis for depletion and the fair market value, by species and unit rates if reported on a species basis. Section 631(a) requires you to determine the fair market value of timber cut during the year for timber you owned, or held under contract right to cut, for more than 1 year. The fair market value is the value of the timber as it stood in the forest on the first day of the tax year.	47 Describe in detail the characteristics of the timber that affect its value, such as total quantity, species, quality, quantity per acre, size of the average tree, logging conditions, distance to markets, and the like.

**Schedule F Capital Returnable Through Depletion (continued)**

- 48 Give evidence in the form of actual sales of comparable timber as of the valuation date, along with other value evidence used. Include a computation showing the difference between the cost (excluding timber or stumpage cost) and value of the primary wood product (logs or other roundwood, chips, etc.) at the mill or plant. Give detailed evidence that permits a comparison with the timber on which you report a value.
- 49 For all purchases and sales of timber you make, and for all other transactions you report, furnish the relevant information from lines 2 through 20.
- 50 Furnish the following additional information:
  - a. Location of the sawmill, log market, or other point of delivery of the logs or wood to the user or buyer.
  - b. The total MBF, log scale, cords, or other units of timber cut, and the length and diameter of the average log or the average number of units per tree.
  - c. The percentage of rough lumber grades, by species, manufactured from the timber during the year; or, if cut timber is sold as logs, the percentage of log grades, by species.
- 51 Section 631(a) applies only to timber owned, or held under a contract right to cut, for a period of more than 1 year. In your records show the quantity of timber cut that you held for more than 1 year. Show separately the quantity of timber cut that was held for less than 1 year. Also, the scale of logs purchased during the year must be shown by species and quantity and excluded from the quantity shown as cut under section 631(a). Records must also show the number, cost, and point of delivery of purchased logs by species and grade.

**Schedule G Land Ownership**

52 Show changes in land accounts as carried on your books. Attach as many additional sheets as you need, following the format of lines 53 through 58.

53 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
54 Balance at beginning of year . . . . .			
55 Acquisitions during year . . . . .			
56 Sales during year . . . . .			
57 Other changes . . . . .			
58 Balance at end of year (add lines 54 and 55, less lines 56 and 57) . . . . .			

**Schedule H Road Construction Cost (Optional)<sup>1</sup>**

59 Report on lines 60 and 61 the expenditures incurred for road construction during the tax year. Use a separate schedule for each depletion account, block, tract, or geographic area tributary to a mill or mill complex.

60 Roads constructed on lands owned in fee:	
a Miles constructed ▶ .....	
b Amount capitalized to nondepreciable account . . . . .	
c Amount placed in depreciation account . . . . .	
d Amount claimed as an ordinary expense . . . . .	
e Total amount spent (add lines 60b through 60d) . . . . .	
61 Roads constructed for logging timber held under leases or cutting contracts having a term of 2 years or longer:	
a Miles constructed ▶ .....	
b Amount to be amortized. . . . .	
c Amount claimed as an ordinary expense . . . . .	
d Total amount spent (add lines 61b and 61c) . . . . .	

**Schedule I Drainage Structures (Optional)<sup>1</sup>**

62 Report expenses incurred during the tax year for construction of water level control devices such as ditches and canals. List each kind of structure separately for each depletion account, block, tract, or geographic area tributary to a mill or mill complex:	
a Kind of structure ▶ .....	
b Miles constructed ▶ .....	
c Purpose of structure ▶ .....	
d Amount capitalized to nondepreciable account . . . . .	
e Amount placed in depreciable or amortizable account . . . . .	
f Amount reported as an ordinary expense . . . . .	
g Total amount spent (add lines 62d through 62f) . . . . .	

<sup>1</sup> Include separate cost accounts for construction by you and by the contractor. If the supporting statements for Schedules H and I are too numerous to file with your return, keep this information and make it available if your return is examined.



