

Form T (Timber) Forest Activities Schedule

Form T (Timber)

- ▶ Form T, Forest Activities Schedule, consists of five parts:
 - ✓ Part I, Acquisitions: Report acquisitions of timber, forestland, or timber-cutting contracts by inheritance, purchase, gift, or exchange
 - ✓ Part II, Timber Depletion: Report changes in timber basis from new acquisitions, ...

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... the sale or cutting of timber, involuntary conversions, growth, or capitalized expenditures

- ✓ Part III, Profit or Loss from Land and Timber Sales: Allocate proceeds from a sale of timber or timberland between timber depletion, expenses of the sale, and profit

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- ✓ Part IV, Reforestation and Timber Stand Activities: Summarize reforestation and forest management activities
- ✓ Part V, Land Ownership: Summarize purchases, sales, or exchanges of forestland

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- ▶ “Who Must File” section of the instructions says forest owners are required to file Form T with their income tax return *only* if they:
 - ✓ Claim a timber depletion deduction
 - ✓ Elect to treat the cutting of timber as a sale or exchange under section 631 (a)
 - ✓ Make an outright sale of timber under section 631(b)

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- ▶ All three activities involve Part II of Form T
 - ✓ Owners who do one of these activities during a tax year should fill out Part II, plus the parts that cover any other activity they do during the year, and submit them with their income tax return

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- ✓ Owners who do not do one of these activities, but do an activity covered by another part of Form T should fill out that part, but keep it in their records

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- ▶ “Who Must File” section also provides only written guidance available from the IRS on occasional timber sales
 - ✓ Owners who only make occasional sales are not required to file Form T
 - ✓ Instructions define occasional sales as “one or two sales every 3 or 4 years” – that is, a timber sale every 2 or 3 years

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- ✓ Only owners who qualify as investors should take advantage of this generous interpretation of occasional sales
- ✓ Owners who qualify as material participants in a trade or business should file Form T even if they only sell or cut timber every 2 or 3 years

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- ✓ Investors report a capital gain from the sale or cutting of timber on Form 1040, Schedule D
- ✓ Material participants report a capital gain from the sale or cutting of timber on Form T and Form 4797

SCHEDULE D (Form 1040) Capital Gains and Losses
 Department of the Treasury
 Internal Revenue Service
 Attach to Form 1040 or Form 1040NR. See Instructions for Schedule D (Form 1040).
 Use Schedule D-1 to list additional transactions for lines 1 and 8.
 2007 Attachment Sequence No. 12
 Your social security number

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo./Day./Yr.)	(c) Date sold (Mo./Day./Yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2	Enter your short-term totals, if any, from Schedule D-1, line 2		2		
3	Total short-term sales price amounts. Add lines 1 and 2 in column (d)		3		
4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824		4		
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		5		
6	Short-term capital loss carryover. Enter the amount, if any, from line 10 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		6		
7	Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)		7		

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo./Day./Yr.)	(c) Date sold (Mo./Day./Yr.)	(d) Sales price (see page D-7 of the instructions)	(e) Cost or other basis (see page D-7 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8	MM/DD/YY	MM/DD/YY	37000	34729	2271
9	Enter your long-term totals, if any, from Schedule D-1, line 9		9		
10	Total long-term sales price amounts. Add lines 8 and 9 in column (d)		10		
11	Gain from Form 4797, Part I, long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11		
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12		
13	Capital gain distributions. See page D-2 of the instructions		13		
14	Long-term capital loss carryover. Enter the amount, if any, from line 15 of your Capital Loss Carryover Worksheet on page D-7 of the instructions		14		
15	Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back		15		

For Paperwork Reduction Act Notice, see Form 1040 or Form 1040NR instructions. Cat. No. 113384 Schedule D (Form 1040) 2007

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Part II Timber Depletion (see instructions)

1 Name of block and title of account (Your Name) Merchantable Sawtimber Subaccount: Disposal of timber with economic interest retained

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 (Doyle)

	(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	590 cd, 112 MBF	38,396
3 Increase or decrease of quantity of timber required by way of correction	--	--
4a Addition for growth (number of years covered ())	--	--
b Transfers from premerchanted 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	590 cd, 112 MBF	38,396
8 Unit rate returnable through depletion, or basis of sales or losses. Divide line 7, column (b), by line 7, column (a)		20.08/cd, 237.03 M
9 Quantity of timber cut during tax year	--	--
10 Depletion for the current tax year. Multiply line 8 by line 9		--
11 Quantity of standing timber sold or otherwise disposed of during tax year	390 cd, 112 MBF	
12 Allowable as basis of sale. Multiply line 8 by line 11		34,379
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)	390 cd, 112 MBF	--
15 Total reductions during tax year:		34,379
a In column (a), add lines 9, 11, and 13		
b 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	200 cd	4,017
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

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

1 Name of block and title of account
(Your Name) Timber Account

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

(Legal description)

3a Purchaser's name and address
(Buyer's name and address)

b Date of sale
MM/DD/YY

4 Amount received: a In cash 42,790
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 42,790

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. ▶ Doyle	Cord	390	\$20.08 / Cord	7,832
	MBF	112	237.03 / MBF	26,547
e Premerchantable timber				--
f Improvements (list separately)				--
g Mineral rights				--
h Total cost or other basis. Add lines 7a through 7g				34,379
i Direct sale expenses (cruising, marking, selling)				4,132

8 Profit or loss. Subtract the sum of lines 7h and 7i from line 6

Form T (Timber) (Rev. 12-2005)

Form 4797 Sales of Business Property (Also involuntary conversions and recapture amounts Under Sections 179 and 280F(b)(2))

OMB No. 1545-0184 2007 Attachment Sequence No. 27

Department of the Treasury Internal Revenue Service 09 Attach to your tax return. See separate instructions.

Name(s) shown on return Identifying number

1 Enter the gross proceeds from sales or exchanges reported to you for 2007 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

Part II Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)

	(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowable since acquisition	(f) Cost or other basis, plus government and expense of sale	(g) Gain or (loss). Subtract (f) from the sum of (d) and (e)
2	Merchantable Timber	MM/DD/YY	MM/DD/YY	42,790	--	38,658	4,132
3	Gain, if any, from Form 4684, line 39						3
4	Section 1231 gain from installment sales from Form 6252, line 25 or 37						4
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824						5
6	Gain, if any, from line 32, from other than casualty or theft						6
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:						7
Partnerships (except electing large partnerships) and S corporations: Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.							
Individuals, partners, S corporation shareholders, and all others: If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.							
8	Nonrecaptured net section 1231 losses from prior years (see instructions)						8
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)						9
Part III Ordinary Gains and Losses (see instructions)							
10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):							
11	Loss, if any, from line 7						11 ()
12	Gain, if any, from line 7 or amount from line 8, if applicable						12
13	Gain, if any, from line 31						13
14	Net gain or (loss) from Form 4684, lines 31 and 38a						14
15	Ordinary gain from installment sales from Form 6252, line 25 or 36						15
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824						16
17	Combine lines 10 through 16						17
18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:							
a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from Form 4797, line 18a. See instructions.							
b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 15.							
For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 13699I Form 4797 (2007)							