

**Forest Activities Schedule**▶ **Attach to your tax return.**

For tax year ended \_\_\_\_\_, 20 \_\_\_\_\_

Name(s) as shown on return

Identifying number

**Instructions**

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

**Purpose of Form**

Use Form T to provide information on timber accounts when a sale or deemed sale under section 631(a), 631(b), or other exchange has occurred during the tax year.

**Who Must File**

Complete and attach Form T to your income tax return **only** if you:

- Claim a deduction for depletion of timber or
- Elect under section 631(a) to treat the cutting of timber as a sale or exchange.

Complete Form T in accordance with sections 611, 631, and 1231 and the related regulations.

**Exception.** You are not required to file Form T if you only have an occasional sale of timber (for example, one or two sales every 3 or 4 years). However, you must maintain adequate records of these transactions and other timber-related activities during the year, as discussed in **Recordkeeping** on this page. These transactions may be treated as an investment for tax purposes if your property is not held for use in a trade or business.

**Completion of Form**

**Caution:** If you are **required** to file Form T for the current tax year (as discussed above under **Who Must File**), you must complete all the parts of the form that apply. However, if you are **not** required to file **Form T** but have other forest-related activities (reportable in **Part I** (Acquisitions), **Part IV** (Reforestation and Timber Stand Activities), or **Part V** (Land Ownership), complete and attach the appropriate tax form (for example, Form 4562 to claim depreciation) to your income tax return to report these activities. Also, be sure to maintain adequate records as discussed in **Recordkeeping** below.

**Part I**

Complete this part if you acquired timber, timber cutting contracts, or forest land during the tax year, whether the acquisition was by purchase, exchange, gift, or inheritance.

**Part II**

Complete this part 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 this part to figure depletion for timber cut or the basis for timber sold or lost during the tax year. A depletion schedule is required to be maintained for all types of timber ownership.

**Part III**

Complete this part if you sold or exchanged timber, timber cutting contracts, or forest land during the tax year.

**Part IV**

Complete this part only if you paid or incurred expenses for reforestation of forest land or for timber stand activities

during the tax year. Timber stand activities include all silvicultural prescriptions (such as burning, spraying, and thinning) applied to a timber stand regardless of age.

**Part V**

Complete this part to show changes in ownership of land if you sold or exchanged land during the tax year.

**Recordkeeping**

You no longer have the option to attach **maps** of your timber properties to Form T to substantiate any claimed deduction for depletion of timber on a return filed for tax years beginning after December 31, 2001. Instead, you are required to **retain records** sufficient to substantiate your right to claim the deduction, including a map (where necessary) to show clearly the location(s) of timber and land acquired, timber cut, and timber and land sold for as long as their contents may become material in the administration of any Internal Revenue law.

**Other business records.** You must also keep business records to support other items reported on your tax return such as expenses incurred during the tax year for **road constructions** and for building **drainage structures**.

**Note:** Maintain separate cost accounts for **road construction** and **drainage structures**, such as ditches and canals. For example, for roads constructed for logging timber or to conduct management activities on fee land or land held under long-term cutting contracts, maintain records showing the number of miles constructed and how the total expenditures were either (a) capitalized, (b) amortized, or (c) claimed as an ordinary expense.

Keep separate records for each depletion account, block, tract, or geographic area tributary to a mill or mill complex. Also, keep records that verify the basis in property for as long as they are needed to figure the basis of the original or replacement property.

**Additional Information**

For additional information regarding Federal income tax rules for reporting forest-related activities, see the following:

- IRS tax products, including **Pub. 225**, Farmer's Tax Guide, and **Pub. 535**, Business Expenses. For example, chapter 9 in Pub. 535 discusses where to report the amortization of qualifying reforestation costs after the deduction is entered on **Form 4562**, Depreciation and Amortization.

- **Agriculture Handbook No. 718**, Forest Landowners' Guide to the Federal Income Tax. To order this handbook, call (202) 512-1800 (not a toll-free number), visit the U.S. Government Online Bookstore at [www.gpo.gov](http://www.gpo.gov), or write the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. This handbook costs \$21 (subject to change); its GPO stock number is 001-000-04693-4.



Current regulations, IRS rulings, and case law should be consulted to verify that information in USDA's Agriculture Handbook No. 718 is still applicable. Because this comprehensive handbook is not revised annually, it may not reflect changes in tax law or new Treasury regulations.

**Part I Acquisitions**

**How to report acquisitions.** Report acquisitions during the tax year (whether taxable or not) 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 2 and 3. For an acquisition by gift or inheritance, do not complete lines 4 through 7. 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 4 through 8. Instead, list 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 1 through 9 on additional sheets if necessary.

**What is included in each account—**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.

<b>1</b> Name of block and title of account				
<b>2</b> Location of property (by legal subdivisions or map surveys)				
<b>3a</b> Name and address of seller or person from whom property was acquired				<b>b</b> Date acquired
<b>4</b> Amount paid: <b>a</b> In cash . . . . .				
<b>b</b> In interest-bearing notes . . . . .				
<b>c</b> In non-interest-bearing notes . . . . .				
<b>5a</b> Amount of other consideration . . . . .				
<b>b</b> Explain the nature of other consideration and how you determined the amount shown on line 5a. .....				
<b>6</b> Legal expenses . . . . .				
<b>7</b> Cruising, surveying, and other acquisition expenses . . . . .				
<b>8</b> Total cost or other basis of property. Add lines 4a through 7 . . . . .				
<b>9</b> Allocation of total cost or other basis on books:	<b>Unit</b>	<b>Number of units</b>	<b>Cost or other basis per unit</b>	<b>Total cost or other basis</b>
<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 amount as line 8). Add lines 9a through 9g . . . . .				

**Part II Timber Depletion**

On lines 10 through 15, provide data for each timber account separately. Account for any changes that have occurred during the tax year. Attach as many additional pages 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 17, column (b), for all timber cut or sold, regardless of how long held. 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 ▶ .....

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**Line 23.** The casualty loss limitation on line 23, column (b), is determined by the decrease in fair market value (FMV) of the Single Identifiable Property (block) before and after the casualty event, **not** to exceed the basis in the affected block. Keep **FMV appraisals** in your records to support the claimed loss (see **Recordkeeping** on page 1).

10 Name of block and title of account ▶ .....	(a) Quantity	(b) Cost or other basis
11 Estimated quantity of timber and cost or other basis returnable through depletion at end of the preceding tax year . . . . .		
12 Increase or decrease of quantity of timber required by way of correction . . . . .		
13a Addition for growth (number of years covered ▶ ..... ) . . . . .		
b Transfers from premerchantable timber account. . . . .		
c Transfers from deferred reforestation account . . . . .		
14 Timber acquired during tax year . . . . .		
15 Addition to capital during tax year . . . . .		
16 Total at end of tax year, before depletion. Add lines 11 through 15 . . . . .		
17 Unit rate returnable through depletion, or basis of sales or losses. Divide line 16, column (b), by line 16, column (a) . . . . .		
18 Quantity of timber cut during tax year . . . . .		
19 Depletion for the current tax year. Multiply line 17 by line 18 . . . . .		
20 Quantity of standing timber sold or otherwise disposed of during tax year . . . . .		
21 Allowable as basis of sale. Multiply line 17 by line 20 . . . . .		
22 Quantity of standing timber lost by fire or other cause during tax year . . . . .		
23 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 above) . . . . .		
24 Total reductions during tax year:		
a In column (a), add lines 18, 20, and 22. . . . .		
b In column (b), add lines 19, 21, and 23. . . . .		
25 Net quantity and value at end of tax year. In column (a), subtract line 24a from line 16. In column (b), subtract line 24b from line 16 . . . . .		
26 Quantity of cut timber that was sold as logs or other rough products . . . . .		

**Part II** Timber Depletion *(continued)*

**27** 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 under section 631(a)?  
 . . . . .  Yes  No

If "Yes," attach a statement that provides the information in items 28 through 33. If "No," skip lines 28 through 33 and go on to Part III.

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.

**Note:** *This election cannot be made on an amended return.*

**28** Show the adjusted basis for depletion, fair market value (FMV), and gain or loss for each sale or exchange of standing timber for which you have made a section 631(a) election. Show the adjusted basis for depletion and the FMV of the timber as of the first day of the tax year in which the timber was cut. Show these amounts by species and unit rates if these transactions are reported on a species basis. The gain or loss on standing timber is reported on **Form 4797**, Sales of Business Property.

**29** Provide 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, 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 line 17, column (b), after adjustment.

**30** 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, and distance to markets.

**31** Provide 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.

**32** 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.

**33** Show the amount of timber owned, or held under a contract right to cut, for a period of more than 1 year. Show separately the quantity of timber cut that was held for less than 1 year. 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). Also show the number, cost, and point of delivery of purchased logs by species and grade.

**Part III Profit or Loss From Land and Timber Sales**

Generally, report all dispositions during the tax year (whether taxable or not) 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 35 and 36 for each combined small sale. For a sale or lease of timber-cutting rights on a pay-as-cut basis, that will be paid for at intervals during the cutting period according to the number of units cut, complete lines 37, 40, and 41 only for

amounts that must be reported on your current year income tax return. Instead of completing lines 38a, 38b, and 39, 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 34 through 41 on additional sheets if necessary.

**34** Name of block and title of account

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

<b>36a</b> Purchaser's name and address	<b>b</b> Date of sale
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<b>37</b> Amount received: <b>a</b> In cash . . . . .	
<b>b</b> In interest-bearing notes . . . . .	
<b>c</b> In non-interest-bearing notes . . . . .	

<b>38a</b> Amount of other consideration . . . . .	
<b>b</b> Explain the nature of other consideration and how you determined the amount shown on line 38a: .....	

**39** Total amount received for property. Add lines 37a, 37b, 37c, and 38a. . . . .

<b>40</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. Add lines 40a through 40g . . . . .				
<b>i</b> Direct sale expenses (cruising, marking, selling) . . . . .				

**41** Profit or loss. Subtract the sum of lines 40h and 40i from line 39 . . . . .

**Part IV Reforestation and Timber Stand Activities**

**42** Summarize your expenditures for reforestation and timber stand activities below. You can choose to amortize a limited amount of afforestation or reforestation costs (direct costs of planting or seeding under section 194) for qualified timber property. Keep detailed information to support these costs and retain this information in your records. Report 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.

**Other silvicultural activities.** Report all expenditures that must be capitalized and items that you elect to capitalize. Also, list on a separate attachment items that are treated as current deductions (including but not limited to weed control, pruning, fertilization, thinning, insect and disease control). 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
Total . . . . .			

**Part V Land Ownership**

Show all changes in land accounts. Attach as many additional sheets as needed, following the format of lines 43 through 48.

43 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
44 Balance at beginning of year . . . . .			
45 Acquisitions during year . . . . .			
46 Sales during year . . . . .			
47 Other changes . . . . .			
48 Balance at end of year. Add lines 44 and 45, then subtract lines 46 and 47 . . . . .			

**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** . . . . . 32 hr., 45 min.
- Learning about the law or the form** . . . . . 42 min.
- Preparing and sending the form to the IRS** . 1 hr., 15 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. You can write to the Tax Products Coordinating Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send your form to this address. Instead, attach to your tax return and file with the appropriate service center.

