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If you have any comments on this draft, you can email us at [taxforms@irs.gov](mailto:taxforms@irs.gov) or submit them to us on our IRS.gov page titled [Comment on Forms and Publications](#). Please include the form or publication number in the subject. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each suggestion. Please note that we may not be able to consider many suggestions until the subsequent revision.



# Instructions for Form T (Timber)

(Rev. December 2013)

## Forest Activities Schedule

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

### Future Developments

For the latest information about developments related to Form T (Timber) and its separate instructions, such as legislation enacted after it is published, go to [www.irs.gov/timber](http://www.irs.gov/timber).

### General Instructions

#### Purpose of Form

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

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

- Pub. 225, Farmer's Tax Guide,
- Pub. 535, Business Expenses, and
- Pub. 544, Sales and Other Dispositions of Assets.

#### Who Must File

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

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

Complete Form T in accordance with sections 194, 611, 631, and 1231, and the related regulations.

**Exceptions.** You are not required to file Form T if you only have an occasional sale of timber (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*, below. These transactions may be treated as an investment for tax purposes if your property is not held for use in a trade or business.



*If you are required to file Form T for the current tax year (as discussed above under Who Must File), 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) or statement to your income tax return to report these activities. Also, maintain adequate records as discussed in Recordkeeping, below.*

#### Recordkeeping

**Maps.** Do not attach maps of your timber properties to Form T to substantiate any claimed deduction for depletion of timber. 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 construction 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 unique stand identifier, 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.

### Specific Instructions

#### Part I. Acquisitions

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.

#### 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, skip 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:

1. An operational unit that includes all timber that would logically go to a single point of manufacture,
2. A logging unit that includes all timber that would logically be removed by a single logging development, or
3. 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 a separate account.

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.

## Part II. Timber Depletion

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.

### Lines 1 through 6

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 a block basis, combine new purchases with the opening balances and use the average depletion rate shown on line 8, column (b), for all timber cut or sold, regardless of how long held.

### Line 14, column (b)

The casualty loss limitation 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*, earlier).

### Line 18a

If you are making the 631(a) election, or have made the election in a prior tax year, check the "Yes" box on line 18a.

**Note.** The 631(a) election cannot be made on an amended return. You must maintain the following records.

#### Adjusted basis for depletion.

Maintain records that 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 a section 631(a) election. The records must show the adjusted basis for depletion and the FMV of the timber as of the first day of the tax year in which timber was cut. The records must 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.

**Date of acquisition.** The records must 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 or other measure used); and the adjusted basis at the beginning of the tax year. The records must state the acreage cut, the amount of timber cut from the applicable block during the tax year, and the log rule or other method used to determine the quantity of timber cut. If depletion accounts are kept by separate tracts or purchases, give the information separately for each tract or timber purchase.

If an average depletion rate based on the average value or cost of a timber block was used in earlier years, the adjusted basis referred to in section 631(a) is the average basis shown on line 8, column (b), after adjustment.

**Characteristics of the timber.** The records must 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.

**Valuation evidence.** The records must provide evidence in the form of actual sales of comparable timber as of the valuation date, along with other valuation 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.

**Additional information.** The records must include the following additional information:

1. Location of the sawmill, log market, or other point of delivery of the logs or wood to the user or buyer.
2. 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.
3. 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.

**Timber owned or held under a contract right to cut.** 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) in Part II, line 17. Also show the number, cost, and point of delivery of purchased logs by species and grade.

### Line 18b

If you are revoking your 631(a) election, check the "Yes" box.

If you made a section 631(a) election for any tax year ending before October 23, 2004, you can revoke that election without the consent of the IRS for any tax year ending after October 22, 2004. The prior election (and revocation) is disregarded for purposes of making a subsequent election. Unless this special rule applies, or the election was made for a tax year beginning before 1987, you can only revoke a section 631(a) election with IRS consent.

### Part III. Profit or Loss From Land and Timber Sales

Complete this part to report all dispositions of timber, timber-cutting contracts, or forest land during the tax year (whether taxable or not). Do not report dispositions by gift or distributions made by an estate or 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 2 and 3 for each combined small sale.

**Outright sales of timber.** Certain rules under section 631(b) allow the landowner to treat outright sales of timber as capital gain. The rules extending capital gains treatment to outright sales of timber are similar to certain disposals of timber under a contract with a retained economic interest. However, for outright sales, the date of disposal is not deemed to be the date timber is cut because the owner may elect to treat the payment date as the date of disposal. For more information, see section 631(b) and Pub. 544.

**Timber-cutting contract.** 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 4, 7, and 8, only for accounts that must be reported on your current year income tax return.

Instead of completing lines 5a, 5b, and 6, 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 1 through 8 on additional sheets if necessary.

### Part IV. Reforestation and Timber Stand Activities

Summarize your expenditures for reforestation and 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.

#### Line 4a. Reforestation Expenses

By entering an amount on this line, you are indicating that you have elected to deduct qualifying reforestation expenses that were paid or incurred after October 22, 2004, for each qualified timber property under section 194(b). You must complete line 1 of Part IV listing the following:

- The account, block, tract, area or stand identification number for each qualified timber property (QTP);
- The kind of activity (burning, chopping, spraying, planting, seeding, thinning, pruning, fertilizing, etc.);
- The number of acres treated; and
- The total expenditures.

The aggregate amount of reforestation expenses which can be claimed on line 4a for any tax year cannot exceed \$10,000 (\$5,000 if your filing status is married filing separately) for each qualified timber property for any tax year. The remaining costs (line 4b) can be amortized over an 84-month period using the half-year convention under section 194(a). For more information on reforestation costs, see Pub. 535.

If you do not elect to deduct reforestation expenses under section 194(b), all reforestation expenses will be capitalized in a deferred timber depletion account.

Reforestation expenses are direct costs incurred for reforestation by planting or artificial or natural seeding. This includes costs for the preparation of the site, of seeds or seedlings, and for labor and tools, including depreciation of equipment such as tractors, trucks, tree planters, and similar machines used in planting or seeding.

**Reimbursements under governmental reforestation cost-sharing programs.** If you have been reimbursed under any governmental reforestation cost-sharing program, you may not claim these expenses unless the amount reimbursed has been included in your income.

**Qualified timber property (QTP).** Any qualified timber property subject to section 194(b) may not be combined with any other qualified timber property account (depletion

block) for which depletion is allowed or for casualty losses (that is, lines 13 and 14 of Part II) or other purposes. The qualified timber property account must be maintained until after the timber is disposed of through sale, harvest, or other transaction.

For each qualified timber property (QTP), keep detailed information to support reforestation costs, showing treatments and dates of application. Each qualified timber property is required to have a unique stand identifier. Retain this information for 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 culling trees by burning, disking, chopping, shearing and piling, spraying with herbicides, or other measures taken to aid successful site reforestation. Report this information separately for each unique stand identifier, 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 this information separately for each unique stand identifier, 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 this information separately for each unique stand identifier, depletion account, block, tract, or operating area tributary to a mill or mill complex. Report contract work separately from your employees' work.

For more information, see section 194 and Regulations section 1.194-3.

## Part V. Land Ownership

Complete this part to show all changes in your land account, including sales or exchanges, during the tax year. Attach as many additional sheets as needed, following the format of lines 1 through 6.

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### 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 burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for

their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> . . . . .	34 hr., 12 min.
<b>Learning about the law or the form</b> . . . . .	42 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	1 hr., 17 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.