

Form T (Timber)

(Rev. January 1987)
 Department of the Treasury
 Internal Revenue Service

Forest Industries Schedules

▶ **Attach to your tax return.**

OMB No. 1545-0007
 Expires 10-31-89

Check form of organization: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Fiduciary <input type="checkbox"/> Individual	Name	Taxpayer identifying number
	Address (number and street)	
	City or town, state, and ZIP code	For tax year ended

GENERAL INSTRUCTIONS

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

Paperwork Reduction Act Notice

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

Who must complete Form T.—If you claim a deduction for depletion of timber or for depreciation of plant and other improvements related to timber accounts, or elect to claim gain or loss as provided by section 631(a) for cutting timber, you must complete and attach Form T to your income tax return. Generally, Form T should be filed when a taxpayer sells or cuts standing timber or is involved with other timber transactions.

Complete this form in accordance with sections 611, 631, and 1231 and related regulations. If you need more space, attach separate sheets and number each answer so that we can identify it with the appropriate item on Form T.

Items You Should Note

The Tax Reform Act of 1986 (Act) generally repealed the capital gain deduction for tax years beginning after 1986. However, certain transitional rules apply. For more information, see the instructions for the income tax return to which Form T is attached and **Publication 544**, Sales and Other Dispositions of Assets.

Change to Revocation Procedure

The Act allows taxpayers that made an election under section 631(a) before 1987 to revoke the election without the consent of the Secretary. In addition, the revocation will not affect any future election under section 631(a) and any future revocation will require the consent of the Secretary.

Schedule A Maps

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 on examination of your return. 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 covered. 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 cutting contracts sold or otherwise disposed of, (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 Purchases

2. For the tax year, report acquisitions (such as purchases or exchanges, whether taxable or not) of timber, timber cutting contracts, or forest land. Report separately each single purchase totaling \$10,000 or more, giving month and year of purchase. You may combine purchases of less than \$10,000 for each timber or land account, and omit item 5 for combined small purchases. For a purchase or lease of timber cutting rights on a pay-as-cut basis, do not answer items 6 through 10. Instead, give briefly the

provisions of the purchase or lease agreement, including the number of years from effective date to date of expiration, minimum cut or payment, and the payment rates for the different kinds of timber and forest products involved. You may report totals for small purchases on a pay-as-cut basis completed within the tax year. Follow the format of items 3 through 10 on additional sheets if you need more space.

3. Name of block and title of account

4. Location of property (by legal subdivisions, or map surveys)

5. a Seller's name and address	b Date of purchase
6. Amount paid: a in cash	
b in interest-bearing notes	
c in noninterest-bearing notes	
7. a Amount paid in other considerations	
b Explanation of the nature of other considerations and how the value given in 7a was determined ▶	
.	
8. a Legal expense	
b Cruising, surveying, and other acquisition expenses	
9. Total cost of property (Add lines 6a through 8b)	

Schedule B Purchases (Continued)

10. Allocation of total cost on books:	Unit or kind	Number of units	Cost per unit	Total cost
a Forested land	Acre			
b Other unimproved land	Acre			
c Improved land (Describe) ▶ -----	Acre			
d Timber (Estimated total quantity of timber present on the acquisition date. (See section 1.611-3(e) of the regulations.) Details of the timber estimate, made for purposes of the acquisition, should be available on examination of your return.)	}			
e Premerchtable timber. (Make an allocation here only if it is a factor in the total cost or value of the land.)	}			
f Improvements (List separately) ----- ----- ----- -----				
g Mineral rights				
h Total cost (same as line 9)				

Schedule C Profit or Loss From Land and Timber Sales

11. For the tax year, report all dispositions (such as by sale or exchange, whether taxable or tax free) of timber, timber cutting contracts, or forest land. Report separately each single sale involving a total consideration of \$10,000 or more. You may combine sales of less than \$10,000 for each timber or land account. You may omit item 14 for such combined small sales. 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, answer items 15, 19, and 20 for the tax year

only. Instead of answering items 16, 17, and 18, give briefly the provisions of the sale or lease agreement, including the number of years from effective date to date of expiration, minimum cut or payment, and the payment rates for the different kinds of timber and forest products involved. You may combine small sales on a pay-as-cut basis completed within the tax year. Follow the format of items 12 through 20 on additional sheets if you need more space.

12. Name of block and title of account

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

14. a Purchaser's name and address

b Date of sale

15. Amount received: a in cash
 b in interest-bearing notes
 c in noninterest-bearing notes

16. Amount received in other considerations

17. Explanation of the nature of other considerations and how you determined the value given on line 16 ▶

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

Schedule C Profit or Loss From Land and Timber Sales (Continued)

19. Adjusted basis (cost) in property on sale or exchange date:	Unit or kind	Number of units	Cost per unit	Total cost
a Forested land	Acre			
b Nonforested land	Acre			
c Improved land (Describe) ▶ -----	Acre			
d Merchantable timber. (Estimated total quantity of merchantable timber present on sale or exchange date. Give a detailed estimate as made for sale or exchange purposes. Include the quantity of each species of timber by diameter (DBH) classes. Name the log rule or other units of measure used.)				
e Premerchantable timber.				
f Improvements (List separately) ----- ----- ----- -----				
g Mineral rights				
h Total adjusted basis				
i 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, insects, wind, or other causes, and if you claimed the loss on your income tax return, show separately the proof of loss for each timber account and complete items 22 through 25.

22. Cause of loss

23. Location and area of land on which loss took place

24. a Total loss before any insurance recovery	
b Less amount received from insurance	
c Loss as claimed on tax return	

25. Explain in detail how total loss (line 24) was determined

Schedule E Reforestation and Timber Stand Improvement

26. This schedule summarizes your expenses for reforestation and timber stand improvement during the tax year. You should keep on file the detailed information necessary to support the costs reported in this schedule and make it available on examination of your return. The total in Schedule E includes such things as supplies, labor, overhead, transportation, tools, and depreciation on equipment.

Site Preparation.—Report all expenses incurred during the tax year for preparation of the land for planting or seeding (including natural seeding). Include expenses for clearing the land of brush and cull trees by burning, disking, chopping, KG blading, spraying with herbicides, or other measures taken to aid in the successful reforestation of the site. 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 your expenses 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. You must make detailed records available to the examining agent upon request, including separate costs for hand planting and machine planting or any other explanation of the kind of expenditures.

Precommercial Thinning or Fertilization.—Report all expenditures that are required to be capitalized and items that you elect to capitalize. Also, list on a separate attachment those 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.

Schedule E Reforestation and Timber Stand Improvement (Continued)

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

Schedule F Capital Returnable Through Depletion

In items 27 through 42, give separately the data for each timber account, covering any changes that have taken place during the tax year. Attach as many additional pages of this form as you need. If you deplete on the block basis, combine new purchases

with the opening balances and use the average depletion rate shown on item 34 for all timber cut or sold, regardless of how long held. If you express timber quantity in board feet or other log scale name the log rule used.

27. Title of account (name of block or tract) ▶	Quantity in board feet, log scale, or other unit ¹	Cost or other basis
	(1)	(2)
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 ²		
30. a 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 ³		
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 2, divided by line 33, column 1)		
35. Quantity of timber cut during year		
36. Depletion sustained (line 34 multiplied by line 35)		
37. Quantity of timber sold or otherwise disposed of during year		
38. Allowable as basis of sale (line 34 multiplied by line 37)		
39. Quantity of 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 1; line 37, column 1; and line 39, column 1		
b Add line 36, column 2; line 38, column 2; and line 40, column 2		
42. Net quantity and value at end of year (line 33, column 1 less line 41a, column 1; and line 33, column 2 less line 41b, column 2)		

¹ If M board feet log scale is not the unit used, state what unit you used and explain it.
² Adjust the quantity in M feet, 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, state clearly the basis for it.
³ 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 in the return. Carry expenditures for reforestation, such as site preparation, planting, seeding, etc., in a separate deferred account.

43. Quantity of timber cut that was sold as logs or other rough products

44. Did you elect in your income tax return to report gain or loss from the cutting of timber in accordance with section 631(a) of the Internal Revenue Code? Yes No
 If "Yes," furnish the information asked for in items 45 through 51.

45. Gain or loss as reported in your return. Show the adjusted basis for depletion and the fair market value, by species and unit rates if reported on a species basis.

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 in item 34, after adjustment.

Schedule F Capital Returnable Through Depletion (Continued)

47. Section 631(a)—Election to consider cutting as a sale or exchange:

- To make the section 631(a) election for timber acquired before June 23, 1984, and after December 31, 1987, you must have owned or have held a contract right to cut the timber for a period of more than one year prior to cutting.
- To make the section 631(a) election for timber acquired after June 22, 1984, and before January 1, 1988, you must have owned or have held a contract right to cut the timber on the first day of the tax year and for a period of more than 6 months prior to cutting.

If you make the election, you are required to determine the fair market value of the timber cut during the year as of the beginning of the tax year. The value required is the value of the timber as it stood in the forest on the first day of the tax year. 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.

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 called for by items 2 through 20.

50. Furnish the following additional information:

- (a) The log transportation system used, such as truck roads, railroads, etc., and the main topographic features of the area cut over during the year, as they affect logging and transportation conditions. You may show this in accompanying maps.
- (b) The location of the sawmill, log market, or other point of delivery of the logs or wood to the user or buyer.
- (c) The total log scale or other units of timber cut, and the length and diameter of the average log or the average number of units per tree.
- (d) The percentage of rough lumber grades, by species, produced from the timber manufactured during the year or, if the timber is sold in the log, 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 the periods specified in item 47 depending on when the timber was acquired. In your records show the quantity of timber cut that you held for the required period. Show separately the quantity of timber cut that was not so held. 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 items 53 through 58.

53. Name of account ▶	Acres	Total cost or value. Give amount of March 1, 1913, appreciation, if included	Average rate per acre
54. Balance at beginning of year			
55. Purchases 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)			

Optional Schedules

59. If the supporting statements for Schedules H and I are too numerous to file with your return, you must retain this information and make it available on examination of your return. Include

separate cost accounts for construction by you and by the contractor.

Schedule H Road Construction Cost

60. Report under items 61 and 62 the expenditures incurred for road construction during the tax year. Report separately for

each depletion account, block, tract, or geographic area tributary to a mill or mill complex.

61. 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 61b, c, and d)		
f Amount reported as investment credit property		
62. 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 62b and c)		
e Amount reported as investment credit property		

Schedule I Drainage Structures

63. 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 63d, e, and f)

