

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.

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

- Recordkeeping** 37 hrs., 4 min.
- Learning about the law or the form** 42 min.
- Preparing and sending the form to IRS** 1 hr., 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

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 under section 631(a) to treat the cutting of timber as a sale or exchange, you must complete and attach Form T to your income tax return. Generally, you should file Form T when you sell or cut standing timber or are involved in other timber transactions.

Complete Form T in accordance with sections 611, 631, and 1231 and related regulations. Small wood lot owners whose only timber-related activity during the year was an isolated sale of timber should complete only Schedules C and F.

Overview of Form.—Form T consists of nine schedules. Use the following rules to determine which schedules to complete.

Schedule A is optional. If you do not submit the maps included in Schedule A with Form T, you must make them available if requested on examination of your income tax return.

Schedule B is completed for any year in which you acquire timber, timber cutting contracts, or forest land. Complete

Schedule B whether the acquisition is a purchase, exchange, gift, or inheritance.

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

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

Schedule E is completed 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 planting or seeding of new trees. Examples of timber stand activities are precommercial thinning and fertilization of trees.

Schedule F is completed 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. Schedule F is used 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 is completed to show changes in ownership of land during the tax year.

Schedule H is optional. Complete this schedule 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.

Schedule I is optional. Complete this schedule if you incur expenses for building drainage structures, such as ditches.

For more information about Federal income tax rules and recordkeeping for forestry activities, see **Agriculture Handbook No. 681, Forest Owners' Guide To Timber Investments**, The Federal Income Tax, and Tax Recordkeeping. You may order this handbook by calling (202) 783-3238 (not a toll-free number) or by writing to the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. The handbook's cost is \$5.00 (subject to change) and its GPO stock number is 001-000-04540-7.

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 if requested 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 ½ 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 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 purchases, exchanges (whether taxable or not), or by 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 items 4 and 5. For an acquisition by gift or inheritance, do not complete items 6 through 8b. For an acquisition or lease of timber cutting contracts on a pay-as-cut basis, except for those

contracts under which all cutting is completed within the tax year, do not complete items 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 involved. Follow the format of lines 3 through 10 on additional sheets if necessary.

3 Name of block and title of account ¹

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

5a Name and address of seller or person from whom property was acquired

b Date acquired

Schedule B Acquisitions (Continued)

6 Amount paid: a in cash	
b in interest-bearing notes	
c in noninterest-bearing notes	
7a Amount of other consideration	
b Explanation of the nature of other consideration and how you determined the amount shown on line 7a ▶	

8a Legal expenses	
b Cruising, surveying, and other acquisition expenses	
9 Total cost or other basis of property (add lines 6a through 8b)	

¹ You must include your timber in one or more accounts. Generally, each account must include all of 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 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.

10 Allocation of total cost or other basis on books:	Unit	Number of units	Cost or other basis per unit	Total cost or other basis
a Forested land	Acre			
b Other unimproved land	Acre			
c Improved land (describe) ▶ -----	Acre			
d Merchantable timber (Give an estimate of 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 requested on examination of your return.)				
e Premerchantable 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 or other basis (same as line 9)				

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 separately each 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 items 13 and 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 only for amounts required to be reported on your current year income tax return. Instead of answering items 16, 17, and 18, give briefly 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 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 necessary.

12 Name of block and title of account

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

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

14a 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 consideration	
17 Explanation of 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)	
19 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. (Give a detailed estimate of 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. Name the log scale used if the unit of measure is thousand board feet (MBF), log scale.)	
e Premerchantable timber	
f Improvements (list separately)	

g Mineral rights	
h Total cost or other 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, theft, 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	
24a 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 24a) was determined	

Schedule E Reforestation and Timber Stand Activities

26 Summarize your expenses for reforestation and timber stand activities on this schedule. Keep on file detailed information necessary to support the costs reported in this schedule and make it available if requested by IRS on the examination of your return. Report on Schedule E such expenses 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, shearing and piling, 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.

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 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
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 Schedule as you need. If you deplete on the block basis, combine new

purchases with the opening balances and use the average depletion rate shown in item 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 ▶

	Quantity in MBF, log scale; cords; or other unit ¹	Cost or other basis
	(1)	(2)
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 ²		
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 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 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 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 MBF, log scale, is not the unit used, state what unit you used and explain it.

² Adjust the quantity in MBF, log scale, or other unit remaining at the end of the year for changes in reinventories, 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 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		
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Schedule F Capital Returnable Through Depletion (Continued)

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 such election for a tax year beginning before 1987.) Yes No

If "Yes," furnish the information asked for in items 45 through 51.

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 one 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.

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.

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.

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 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.

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.

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.

51 Section 631(a) applies only to timber owned, or held under a contract right to cut, for a period of more than one year. In your records show the quantity of timber cut that you held for more than one year. 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.

48 Give evidence in the form of actual sales of comparable timber as of the valuation date, along with other value evidence used.

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 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) .			

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 if requested on examination of your return. Include separate cost accounts for construction by you and by the contractor.

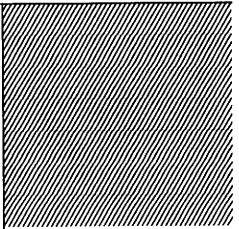
Schedule H Road Construction Cost

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 through 61d)	
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 62c)	

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 through 63f)

Four horizontal lines for recording amounts corresponding to items d, e, f, and g.