

Chapter XII. Researching a Tax Question and Appeals Procedures

Very few sections of the Internal Revenue Code were written specifically for timber activities. We hope this publication will answer most of your questions if you are a nonindustrial private timber owner. This chapter introduces the steps involved in researching tax questions not adequately covered in this handbook or IRS publications.

If it is necessary to research a specific issue, several basic questions must be addressed. You must determine which section(s) of the Code (statutory law) apply, how these sections are interpreted (regulations and revenue rulings) by the IRS, and how these sections are interpreted (case law) by the courts. The final step is to determine how this total body of law and interpretations applies to your factual situation.

Statutory Law

The Internal Revenue Code forms the foundation of Federal income tax law. The Code is promulgated by legislation passed by the U.S. Congress. The U.S. Constitution requires all revenue bills to be initiated in the House of Representatives. When a revenue bill is introduced by a member of the House, the bill is referred to the House Committee on Ways and Means. If the committee recommends further action on the bill, public hearings are held. The Senate also considers the bill. The Senate Finance Committee may hold hearings. Differences between the House and Senate passed versions of the bills are reconciled in the Joint Conference Committee, which may also hold hearings. When the bill completes the legislative process and is signed by the President, it becomes part of the Internal Revenue Code of 1986, as amended.

The records of these hearings and committee reports provide information on what the legislators hoped to accomplish by enacting the law. This "legislative intent" is important in interpreting the law when there is doubt about specific language included in the law.

If you are unfamiliar with tax law it may be difficult to determine which sections of the Code apply to a particular tax question. Most topics are indexed according to tax issues and use tax terms. The index in this publication is designed to help you gain access to the law. Cross references from commonly used terms are included. In addition, the applicable Code sections are listed under the major headings. The 5 major tax services listed on page 73 include comprehensive indexes that may also be used to determine the appropriate Code section.

Administrative Law

The Commissioner of Internal Revenue is charged with implementation of the Code. The first step is to write and issue Treasury Regulations interpreting the Code and specifying how it is to be implemented. These regulations have the force and effect of law. However, the courts may nullify regulations that are not consistent with the Code (and the intent of Congress). After drafting, internal study, and

review, regulations are issued as proposed regulations and/or as temporary regulations. Temporary regulations have the force of law and must be followed. Proposed regulations do not have the force of law. Proposed regulations become final only after the public has had the opportunity to comment on them and these comments are evaluated by the IRS. The temporary regulations are superseded when final regulations are issued.

New regulations and amendments to existing regulations are issued as Treasury Decisions and published in the *Federal Register* and *Internal Revenue Bulletin*. It would be impossible to write regulations covering all possible circumstances. Thus, other types of rulings and forms of communication are also used in administering the Code.

Revenue Rulings

Revenue rulings (Rev. Rul.), which are published in the *Internal Revenue Bulletin*, are official interpretations by the IRS of the Code, related statutes, tax treaties, and regulations. They are published for the information and guidance of taxpayers, IRS personnel, and others. Generally, a revenue ruling sets forth the tax consequences of the transaction described in it. They may be used as authority in proceedings with the IRS, but they are not considered to be judicial authority.

General Counsel Memoranda

General Counsel Memoranda (G.C.M.'s) are internal working documents of the IRS reflecting the opinion of its attorneys on a specific issue. G.C.M.'s reflect the logic behind the official position taken by the IRS in an administrative pronouncement such as a revenue ruling.

Revenue Procedures

Revenue procedures, which are published in the *Internal Revenue Bulletin*, are official statements of procedures relating to sections of the Code, related statutes, tax treaties, and regulations. Revenue procedures may set forth a procedure that affects the rights and duties of taxpayers or other members of the public and should be a matter of public knowledge. In general, a revenue procedure tells the taxpayer how to do something (e.g., make an election relating to tax consequences).

News Releases, Notices, and Announcements

Matters of immediate and general concern to taxpayers may be addressed in news releases that are provided to the media. Notices and announcements are published in the *Internal Revenue Bulletin* and may be released first as news releases. Notices and announcements may be issued to inform taxpayers of recent changes in the law, or IRS intention to study a particular area of the tax law, or to clarify the tax consequences of a particular type of transaction.

Private Letter Rulings

A private letter ruling is a written statement by the National Office of the IRS that is issued in response to a taxpayer's request. It interprets and applies the tax laws to the taxpayer's specific set of facts. In effect, the taxpayer asks the IRS what the tax consequences will be if he or she takes a proposed action. Although letter rulings are made available to the public, you should not rely on a ruling issued to another taxpayer. Instructions for requesting a ruling appear in a revenue procedure that is updated annually. Under current law, payment of a user fee is required for requests.

Technical Advice Memoranda

A technical advice memorandum consists of advice or guidance furnished by the National Office of the IRS upon request of an IRS District Office or Appeals Office. It responds to a technical or procedural question on a specific set of facts arising out of an examination and involves the interpretation and proper application of tax law, tax treaties, regulations, revenue rulings, or other precedents published by the National Office. Although these memoranda are made available to the public, you should not rely on a technical advice memorandum with respect to another taxpayer. The taxpayer may request that a District or Appeals Office refer an issue to the National Office for technical advice. Instructions on requesting technical advice are published in a revenue procedure that is updated annually.

Case Law

If a question is clearly covered by the Code, you must follow the Code or seek legislative remedy—that is, have the Code changed. If your circumstances are covered by the regulations or Revenue Rulings, then you must follow them or expect that the IRS will challenge any contrary position taken. If you disagree with the position taken by the IRS in proposing adjustments to your tax, then you may appeal through the administrative appeals process and may have to defend your position in court. Sometimes your circumstances may not be specifically covered by the Code, regulations, rulings, court decisions, etc. In that case, you and your advisors must interpret the law yourselves, consistent with what you believe to be Congressional intent, and seek justification for your interpretation in the general body of tax literature.

Case law consists of the findings of the various Federal courts on those tax questions brought to trial. The significance of the findings of a court on an income tax matter varies greatly, depending on the particular court involved and the response of the IRS to the findings of the court.

The types of courts are reviewed first. Then the possible responses of the IRS to court rulings are reviewed. Finally, guidelines on how to interpret court decisions are provided.

Federal Court System

If you and the IRS still disagree after your appeals conference within the IRS, you may take your case to either the U.S. Tax Court, the U.S. District Court for the district in which

your tax home is located, or the U.S. Court of Federal Claims if you meet certain jurisdictional requirements discussed below. These courts are independent judicial bodies and have no connection with the IRS.

If you elect to bypass the IRS appeals system, you may take your case to any of the above-mentioned courts. However, a case petitioned to the U.S. Tax Court will normally be considered for settlement by an appeals office in the IRS region before the Tax Court hears the case. Where the taxpayer elects to bypass the IRS's appeals system, the Tax Court may impose a penalty of up to \$5,000 if it appears to the Tax Court that the taxpayer unreasonably failed to pursue available administrative remedies. Generally, findings of these courts may be appealed to a higher court. The appeals process is discussed under Audits and Appeals, page 69. The following Federal courts hear tax cases.

Tax Court—The Tax Court was created by Congress specifically to hear Federal tax cases. The court is an independent court with its principal address in Washington, DC, but hears cases throughout the Nation in designated Federal courtrooms. The Tax Court has jurisdiction of a case only if the IRS issues a statutory notice of deficiency. You have 90 days (150 days if mailed to you outside the United States) from the date the notice is mailed to file a petition with the Tax Court. Generally, the Tax Court hears cases only if the tax has not been assessed and paid; however, you may pay the tax after the notice of deficiency has been issued and still petition the Tax Court for review. If your case involves a dispute of not more than \$10,000 for any one tax year or period, the Tax Court provides a simple alternative for resolving disputes. At your request, and with the approval of the Tax Court, your case may be handled under "the small tax case procedures" whereby you can present your own case to the Tax Court for a binding decision. If your case is handled under this procedure, the decision of the Tax Court is final and cannot be appealed. You can get more information regarding the small tax case procedures and other Tax Court matters from the U.S. Tax Court, 400 Second Street, N.W., Washington, DC 20217.

District Courts and Claims Court—Generally, District Courts and the Court of Federal Claims hear tax cases only after you have paid the tax and have filed a claim for a credit or refund with the IRS. You may file a claim for a credit or refund if, after you pay your tax, you believe the tax is incorrect. If your claim is rejected by the IRS, you will receive a notice of disallowance of the claim unless you signed a Form 2297, Waiver of Statutory Notification of Claim Disallowance. If the Service has not acted on your claim within 6 months from the date you filed it, you may then file suit for refund. You must file a suit for a credit or refund no later than 2 years after the Service disallows your claim or a Form 2297 is filed.

You may file your suit for credit or refund in your United States District Court or in the United States Court of Federal Claims. However, the Court of Federal Claims does not have jurisdiction if your claim is for credit or refund of a penalty that relates to promoting an abusive tax shelter or to aiding and abetting the understatement of tax liability on someone else's return.

Circuit Courts of Appeals—The findings of either the Tax Court or Federal District Courts can be appealed by either the taxpayer or the Government to the appropriate Circuit Court of Appeals. Appeals from the Court of Federal Claims are heard by the Court of Appeals for the Federal Circuit.

U.S. Supreme Court—The findings of Circuit Courts of Appeals and the Court of Appeals for the Federal Circuit may be reviewed by the U.S. Supreme Court. The taxpayer or the Government may file a petition for a "writ of certiorari" (request to be heard) with the Court. If the Justices agree to hear the case, a writ of certiorari will be granted. Otherwise certiorari will be denied and the findings of the appeals court are binding on the parties. As a practical matter, the Supreme Court hears extremely few tax cases. Appeals court decisions are usually the final word in a tax matter.

Interpreting Case Law

Findings of the U.S. Supreme Court become law and must be followed by the IRS. This is not the case with decisions of lower courts that find against the Government or Commissioner of Internal Revenue. In such cases, if the court finds for the taxpayer in whole or in part, such findings are controlling—assuming no appeal is made—only upon that particular taxpayer for the years involved. The IRS may, however, concur with certain findings by formally issuing an announcement of "acquiescence." This means that the IRS will apply the findings of the court, as regards the specific points of law involved, to other taxpayers as well. The IRS may also announce its "nonacquiescence," which means that it will not follow the findings of the court and any taxpayer relying on this case as precedent very likely will be challenged by the IRS.

In the process of interpreting and applying the Internal Revenue Code to particular factual circumstances, the courts create nuances in the law. Since the Federal courts follow the common law system, relying on precedents instead of on a strict case-by-case reading of the statutes, court decisions can be cited to support a position. Precedents must be used appropriately, however. First, the precedent cited should be "on point," i.e., deal with the same point of law as is involved in the present case. Second, the precedent should be applicable to the jurisdiction in which the case would be tried. Other cases from the same Federal district or circuit carry the most weight. Decisions from other districts or circuits may be cited, but need not be followed unless the case has been upheld by the Federal Appeals Court for the taxpayer's jurisdiction. U.S. Supreme Court decisions are precedent in any jurisdiction. Decisions by the Court of Appeals for the Federal Circuit are precedent in the Court of Federal Claims.

Audits and Appeals

Special audit programs have been developed to monitor abusive tax shelters. Timber related activities are not generally considered as abusive tax shelters. Although auditors are provided with special industry guidelines concerning what to look for in auditing returns that report timber transactions, your likelihood of being audited is not known to be increased because of your timber activities.

How Returns Are Selected for Examination

Your return may be examined to verify the correctness of income, exemptions, and credits. Most returns are selected and given a score by a computer program called Discriminant Function System (DIF). The scores assigned by DIF relate to the probability that an entry is erroneous. Based upon these scores, IRS personnel screen and select returns for examination. Periodically, returns are also selected under the Taxpayer Compliance Measurement Program (TCMP). This is a random selection system used to evaluate overall compliance and provide the statistical base used to score returns under the DIF program. Returns may also be selected as part of a "compliance initiative" aimed at a specific market segment (occupation, industry, geographic area or economic activity) where an area of noncompliance has been identified. The IRS also does a computer match of information documents, such as for Forms 1099 and W-2, which can uncover discrepancies and result in an examination.

The Examination Process

If your return is selected for examination you will be notified in writing. The notification will inform you of the method of examination and the records you will need to make available to the examiner to clarify or support entries on your return. The examination may be conducted by correspondence, or it may take place in your home or place of business, an Internal Revenue Service office, or the office of your attorney or accountant. Although the place and method of examination are determined by the IRS, if the place is not convenient for you the examiner will try to work out something more suitable.

Whatever method of examination is used, you may act on your own behalf or you may have someone represent you or accompany you. If you filed a joint return, either you or your spouse, or both, may meet with the examiner. An attorney, a certified public accountant, a person enrolled to practice before the IRS, or the person who prepared the return and signed it as the preparer may represent or accompany you. You must furnish your representative with written authorization. Form 2848, Power of Attorney and Declaration of Representative, or any other properly written authorization may be used for this purpose.

Generally your tax return is examined in the IRS District where you live. However, at your request, the examination may be moved to another district for a reasonable cause.

If You Agree—If you agree with the findings of the examination, you will be asked to sign an agreement form. If you owe additional tax, you may pay it when you sign the agreement. If you pay when you sign the agreement, interest is charged on the additional tax from the due date of your return to the date you pay.

If you do not pay the additional tax when you sign the agreement, you will receive a bill for it. The bill will include interest on the additional tax from the due date of your return to the billing date. If the tax is not paid within 10 days after the billing date, interest starts accruing again. If the examination

results in a refund you will receive interest at the applicable rate on the refund.

If You Do Not Agree—If you do not agree with the changes proposed by the examiner, the examiner will explain your appeal rights. This includes your right to request an immediate meeting with a supervisor to explain your position. If agreement is not reached at this meeting, or if the examination takes place outside of an IRS office, the IRS will send you:

- (1) A letter notifying you of your right to appeal the proposed adjustment within 30 days,
- (2) A copy of the examination report explaining the proposed adjustments,
- (3) An agreement or waiver form, and
- (4) A copy of IRS Publication 5, "Appeal Rights and Preparation of Protests for Unagreed Cases."

If after receiving the examination report you decide to agree with the findings, you sign the form and return it to the examiner. You may pay any additional amount and the applicable interest you owe without waiting for a bill.

If after receiving the examination report you decide not to agree with the examiner's findings, the IRS urges you to appeal your case within the IRS before you go to court. Most differences can be settled with an appeals office in the region without the need to go to court.

How To Stop Interest from Accruing—You can stop the further accrual of interest on any amount the IRS claims you owe or you believe they will claim you owe by remitting the appropriate amount to the IRS. Your remittance may be made either as a deposit in the nature of a cash bond (deposit) or as a payment of tax. If you also want to stop the accrual of compound interest, you should remit any interest due. Deposits differ from payments in that you can request the return of a deposit at any time without filing a claim for a refund. However, deposits will not be returned if the IRS has determined that returning it will jeopardize collection of a possible deficiency or that it should be applied against another tax liability. Also, deposits do not earn interest.

If at the end of the examination you agree with the findings of the examiner, your deposit will be applied against the amount you owe. A notice of deficiency will not be mailed to you and you will not have the right to take your case to the Tax Court.

Appeals Within the IRS

There is a single level of appeal within the IRS. Your appeal from the findings of the examiner is to an appeals office in the region. This office is independent of the District Director. Appeals conferences are conducted as informally as possible. If you want an appeals conference, address your request to your District Director according to the instructions in the letter you will receive. If agreement is not reached at your appeals conference, you may, at any stage of the procedures, take your case to court.

Along with your request for a conference, you may need to file a written protest or brief statement of disputed issues with your District Director. Such filings are unnecessary if the proposed increase or decrease in tax, including penalties, or claimed refund, due to a field examination is not more than \$2,500 for any of the tax periods involved, or your examination was conducted by correspondence or in an IRS office by a tax auditor. If the proposed increase or decrease in tax, or claimed refund, is more than \$2,500 but not more than \$10,000, an appeals office conference will be granted if a brief written statement on the disputed issues is provided. You should list in the statement the unagreed adjustment(s) and the reason you disagree with each. A written protest of disputed issues is required to obtain an appeals office conference if the proposed increase or decrease in tax, or claimed refund, is more than \$10,000. In addition, a written protest is required to obtain appeals consideration in all partnership and S corporation cases, as well as in two others. See IRS Publication 556 for more information on appeal rights, including guidance on preparing a written protest.

Appeals to the Courts

If you and the IRS still disagree after your conference, or if you bypassed the appeals process within the IRS, you may take your case to the United States Tax Court, the United States Court of Federal Claims, or your United States District Court as explained earlier. Even if you elect to bypass the IRS's appeals system, a case petitioned to the United States Tax Court will normally be considered for settlement by an Appeals Office before the Tax Court hears the case. If you are a prevailing party in a civil court case against the IRS, you may be entitled to recover reasonable litigation costs, if:

- (1) You exhaust all administrative remedies within the IRS.
- (2) Your net worth is below a certain limit, and
- (3) You do not unreasonably delay the proceeding.

For information about procedures for filing suit in the courts, contact the Clerk of the Tax Court, the Clerk of your District Court or the Clerk of the Court of Federal Claims. Addresses of the courts are given in IRS Publication 556.

Claims for Refund—Once you have paid your tax, you have the right to file a claim for a credit or refund if you believe the tax was calculated incorrectly and is too much. If you filed Form 1040, Form 1040A, or Form 1040EZ, you may claim a credit or refund by filing Form 1040X, "Amended U.S. Individual Income Tax Return." Mail it to the Internal Revenue Service Center where you filed your original return. A separate form must be filed for each tax year or period involved. Include an explanation of each item of income, deduction, or credit on which you are basing your claim.

A claim for a credit or refund must be filed within 3 years from the date the original return was filed (including extensions) or within 2 years from the date the tax was paid, whichever is later. Original returns filed before the due date are considered to have been filed on the due date.

Additional Information—For additional information consult IRS Publication 5, "Appeal Rights and Preparation of Protests for Unagreed Cases," and IRS Publication 556, "Examination of Returns, Appeal Rights, and Claims for Refund."

Example of Tax Research

As an example of tax research procedures, assume you execute an oral agreement to sell timber "on the shares" to a logger. The logger agrees to cut your timber, sell the logs produced to a sawmill, and give you 40 percent of the amount received from the sawmill for the logs. You are not certain how to report the payments you receive from the logger on your tax return, i.e., whether as capital gain or ordinary income, and how to recover your basis in the timber cut.

From reading this publication, you are aware that capital gains treatment depends on how you dispose of timber and your primary purpose for holding it. If you "dispose" of timber on the stump and the timber is a capital asset in your hands, the proceeds are reported as a long-term capital gain if you held the timber for more than 1 year. If you held the timber primarily for sale to customers in the ordinary course of a trade or business, your disposal must meet the requirements of Section 631(b) to qualify for capital gains treatment. If you sell products from your timber cut by you or by others providing a logging service for you, you do not qualify for capital gains treatment on the proceeds from the sale of the logs, but may elect to treat the cutting of the timber as a sale under the provisions of Section 631(a) of the Internal Revenue Code.

Since you have conducted many timber sales from your land in the 20 years you have owned it, receive a substantial portion of your total income from these timber sales, and in general conduct your timber related activities in a manner consistent with being in the business of selling timber, you conclude that your timber is held primarily for sale.

The next question is whether you have disposed of timber on the stump, or whether the logger is providing a logging service under the oral contract and is selling the logs produced on your account. Since nothing in the Internal Revenue Code or regulations specifically deals with oral timber agreements, you must research case law for guidance. In the index of one of the tax services under "disposal with a retained economic interest," you find several cases. The first one listed is *Ah Pah Redwood Co. v. Commissioner*, 26 T.C.

1197 (1956) (reversed in part and remanded), 251 F.2d 163 (9th Cir. 1957), 18 T.C.M. 202 (1959), which happens to involve an oral agreement. By reading this case, you find that the court concluded that the oral contract in question was valid under the laws of the State in which it was executed because real property to be severed upon sale was not subject to the contract law generally applicable to a sale of real estate (Statute of Frauds didn't apply). Since the same law applies in your state you conclude that your oral agreement with the logger is an enforceable contract. But in reading *Ah Pah Redwood Co.*, you note that the court ruled that the taxpayer could get capital gains treatment under a disposal with an economic interest retained only if the taxpayer was not holding the timber primarily for sale. This court's ruling conflicts with the discussion in this publication, which says that disposals qualifying under Section 631(b) receive capital gains treatment regardless of the purpose for which the timber was held. Upon further investigation, the index in the tax service refers you to Revenue Ruling 57-90 (1957-1 C.B. 199) in which the IRS notes that the finding of the court in *Ah Pah Redwood Co.* will not be followed by the IRS to the extent that it is inconsistent with the IRS's position that Section 631(b) will be applied to a disposal of timber with an economic interest retained regardless of the taxpayer's business or the purpose for which the timber is held.

In analyzing whether you have disposed of your timber with an economic interest retained, you conclude that you in fact did dispose of the standing timber to the logger. Under the oral agreement the logger was obligated to cut the timber, the logger could sell the logs to any mill he chose, you could not dispose of the same timber to anyone else, and you had no control over the logger's activities other than to assure that his activities didn't cause serious soil erosion or damage field crops.

You also conclude that you retained an economic interest in the timber disposed of since you would be paid only for the timber actually cut and sold. The logger didn't agree to pay you any fixed amount.

Therefore, you conclude that under the terms of the shares agreement in question, payments you received from the logger during the tax year qualify for long-term capital gains treatment under Section 631(b) of the Internal Revenue Code, and that your allowable basis in the timber disposed of can be recovered as discussed on page 36.

Chapter XIII. Sources of Tax Assistance

There are many sources of assistance available to you on Federal taxation. The IRS's taxpayer assistance program, for example, has trained personnel answering toll-free taxpayer service phones to deal with many tax questions. Also, there are publications by the IRS and others dealing with Federal taxation, in general, and with the tax treatment of timber related activities, which can be complex.

IRS Publications

The IRS maintains a comprehensive taxpayer publications program designed to provide you with up-to-date tax information. No IRS publication deals specifically with timber, however. This publication supplements these taxpayer publications by compiling the tax information directly impacting timber owners. The IRS publications providing the general tax background needed to handle timber transactions are cited in the text of this handbook. Single copies of IRS publications can be obtained at no charge from the IRS.

The following IRS publications contain background information that may be helpful in understanding the tax treatment of timber activities.

Publication No.	Title
1	Your Rights as a Taxpayer
5	Appeal Rights and Preparation of Protests for Unagreed Cases
17	Your Federal Income Tax
216	Conferences and Practice Requirements
225	Farmer's Tax Guide (A comprehensive guide for farmers. This taxpayer publication contains much information about timber transactions.)
334	Tax Guide for Small Business (A comprehensive guide for owners of small corporate and noncorporate businesses. Few timber transactions are discussed.)
463	Travel, Entertainment, and Gift Expenses
505	Tax Withholding and Estimated Tax
526	Charitable Contributions
527	Residential Rental Property
529	Miscellaneous Deductions
533	Self-Employment Tax
534	Depreciation
535	Business Expenses
536	Net Operating Losses
537	Installment Sales
538	Accounting Periods and Methods
541	Tax Information on Partnerships
542	Tax Information on Corporations
544	Sales and Other Dispositions of Assets
547	Nonbusiness Disasters, Casualties, and Thefts
550	Investment Income and Expenses
551	Basis of Assets

552	Recordkeeping for Individuals
556	Examination of Returns, Appeal Rights, and Claims for Refund
561	Determining the Value of Donated Property
584	Nonbusiness Disaster, Casualty, and Theft Loss Workbook
589	Tax Information on S Corporations
909	Alternative Minimum Tax for Individuals
910	Guide to Free Tax Services
925	Passive Activity and At-Risk Rules
946	How to Begin Depreciating Your Property

Commercial Tax Service

The following companies publish comprehensive Federal income tax information that is updated weekly. Many public libraries receive these publications, which discuss timber transactions under the applicable Internal Revenue Code sections.

Commerce Clearing House, Inc., 4025 W. Peterson Avenue, Chicago, IL 60646, publishes "Standard Federal Tax Reporter." Research Institute of America, Inc., 90 Fifth Avenue, New York, NY 10011, publishes "Federal Tax Coordinator."

Other Sources

Several other sources of tax information are available. Some of these specialize in reporting current developments and providing tax tips, while others provide basic guidance on the tax and related financial aspects of timber investments.

Current Developments

National Woodlands, published quarterly by the National Woodland Owners Association, has a timber tax column in each issue authored by William C. Siegel. The magazine also provides tax legislative updates. The address is 374 Maple Ave. E., Suite 210, Vienna, VA 22180-4751.

Forest Farmer, published by the Forest Farmers Association, P.O. Box 95385, 4 Executive Park East, N.E., Atlanta, GA 30347, is a magazine published six times per year. The Nov./Dec. issue is devoted primarily to timber tax developments. All issues provide legislative updates.

The *Tree Farmer* magazine, published by the American Forest Foundation, Suite 780, 1111 19th Street NW, Washington, D.C., includes regular updates of tax developments and in-depth discussions of relevant topics on a periodic basis.

The Natural Resources Tax Review is published monthly by Tax Analysts, 6830 North Fairfax Drive, Arlington, VA 22213. It covers tax and accounting issues affecting natural resources, including timber. The full text of documents such as court decisions, IRS rulings, and State administrative

documents are provided, as are in-depth analytical articles on current issues.

Guidebooks

"Christmas Tree Taxation Manual," by Vernon L. Bowlby, C.P.A., Bowlby Publishing Company, Inc., 310 N.W. 5th Street, Suite 103, Corvallis, OR 97330, featuring a loose-leaf service and related materials available from the author, provides a comprehensive guide to the tax treatment of Christmas trees and an associated recordkeeping system.

"Timber Tax Management for Tree Farmers," by William L. Hoover, is published by Department of Forestry and Natural Resources, Purdue University, West Lafayette, IN 47907-1159. This is a loose-leaf timber tax guide that is updated annually. The basic tax considerations of timber owners and strategies are covered. Comprehensive examples and associated filled out tax forms are included.

"Essentials of Forestry Investment Analysis," by John E. Gunter and Harry L. Haney, Jr., is available from the Oregon State University Book Stores, Inc., P.O. Box 489, Corvallis, OR 97339. This book describes the discounted cash flow procedures used to analyze timber investments on a before-and after-tax basis. Procedures for accounting for the effects of inflation are also described.

"Financial Record Book for Timber Growers," by Jeffrey C. Stier and Peter K. Dederich, is available from the Department of Forestry, University of Wisconsin-Madison, Madison, WI 53706. This loose-leaf book demonstrates each of the accounts associated with timber investments and the applicable tax law. Blank forms are included.

Federal Income Tax Strategies for Timber Owners, featuring and written by Harry L. Haney, Jr., and William C. Siegel, is a 3-hour video-seminar and work-reference book. The loose-leaf work-reference book is updated annually. The video presentation of basic timber tax strategies is keyed to the work-reference book and includes timber examples and filled out tax forms. It was produced by the University of Georgia Center for Continuing Education and is available through the University of Georgia, Athens, Georgia.

Virginia Forests, published quarterly by the Virginia Forestry Association, has a "Taxing Questions" column written by Harry L. Haney, Jr. in each issue. The magazine also provides legislative updates. The address is 8810B Patterson Avenue, Richmond, VA 23229-6322. Other State forestry associations have magazines that provide tax and legislative updates.

Chapter XIV. Forest Records

Tax Purposes

Systematic and timely recording of timber transactions by type, purpose, and amount is extremely important for a long-term forestry investment. Accurate records, coupled with a knowledge of the Federal income tax rules, allow you to ensure fair tax treatment of the income and expenses associated with your forest ownership as intended by Congress. Tax items that may be of interest to you as discussed earlier include (1) qualifying timber revenue as long-term capital gain; (2) recovering invested capital through depletion, depreciation, and amortization; and (3) deducting management expenses while complying with the passive activity loss rules. Provisions concerning installment sales, involuntary conversions, like-kind exchanges, and cost-share payments may also be important.

As a general rule, you should keep accurate and complete documentation of your forestry activities to verify all entries made on tax returns. This includes invoices, contracts, receipts, canceled checks, and maps that validate woodland holdings and forestry operations. See Form T (Timber) on page 122 for examples of the informational entries that may be required. Your woodland records should be preserved for a minimum of 3 years from the date the return reflecting them is filed. This is the ordinary limit for audit by the IRS. In some cases, this limit can reach to 6 years after the return is filed. If a return is false or fraudulent, or if no return is filed, an action by the IRS can generally be brought at any time. The documents relating to acquisition of land, timber, and other capital items—discussed in Chapter V—should be held for the period of ownership plus a 3-year or longer period following disposition. Taxpayers should keep books and records adequate for audit (i.e., the books and records exist, are in proper form, and are readily accessible). An IRS auditor could compel you to produce the records needed to audit your return. If you are unsure about the appropriate records to keep after reading this chapter, you should consult with a qualified tax accountant as discussed in Chapter III.

Management Information

Good records are essential for a good forest management program as well as for tax purposes. They show the status of the timber inventory, timber growth rates, current cost and revenue information, and projected cash flows for your tree farm. This information can be used to analyze the efficiency of proposed management options, enabling you to make informed choices in a timely manner. The records also serve as historical documents to help you avoid repeating mistakes.

Accounting Methods

You may adopt an accounting method that provides the most favorable tax treatment for your woodland ownership as long as it "clearly reflects" income. It may be the same as one

followed by you in other businesses or investments, or it may be different as dictated by the nature and scope of your timber activities. The two accounting methods in general use are cash basis and accrual basis.

With the cash basis method, revenue is reported when actually or constructively received, and expenses are deducted when actually paid. Most small service firms and farms (including tree farms) have adopted cash basis accounting methods that are simple, flexible, and effective.

Under the accrual basis method, revenue is recorded when it is earned, whether or not you receive it at that time. Also, expenses are deducted when they are incurred rather than when you actually pay them. Accrual accounting is preferred by accountants and is used by many incorporated tree farm businesses. It has the advantage of evenly matching income and expense, so that revenues and costs are recorded closer to the time they actually occur. Thus, the accrual basis more nearly reflects economic activity—which may or may not be matched by a concurrent cash flow. One disadvantage of the accrual method is that it does not postpone the payment of tax until cash is actually received.

Taxpayers may use combinations of the cash and accrual methods as long as the procedure adequately reflects income and is followed consistently. The installment method of reporting revenues by an accrual basis taxpayer results in a hybrid accounting method (see Chapter IX). IRS approval is generally necessary before an accounting method can be changed.

Recordkeeping Systems

Shoe Box

You should develop a systematic recordkeeping approach for your woodland records, even for the small tree farm held as an investment. The much joked about shoe box system is better than nothing at all if organized and followed routinely. If you adopt this system, you can use business envelopes and label one for each tax category that applies to your woodland ownership. Then you would file a receipt or other document for each activity by category as it occurs. The categories that are important are discussed in previous chapters.

A Tree Farm Journal

To improve on the shoe box system, you should maintain a journal to record forest management information. A journal is a chronological business diary that contains the details of each business transaction—description, purpose, date, and dollar amounts involved. For example, see Forever Green Tree Farm: Journal (Figure XIV-1). In addition to recording financial information on your woodland activities, you should include the time expended on each if you will need such

information to establish the extent of your material participation for purposes of the passive loss rules as discussed in Chapter V. For tree farmers with limited management activities, such a journal may provide a sufficient record of transactions for tax purposes. However, you should sort entries by tax categories—capital transactions, deductions from gross income, deductions from adjusted gross income, timber sale revenue, expenses of timber sale activities, and others.

A Tree Farm Journal With Accounts

As forestry operations increase in complexity, a journal becomes most useful as a diary of day-to-day tree farm activities that can be transferred (posted) systematically to appropriate accounts. Ledger accounts are established for each separate business or tax activity needed for efficient operation of the business, and for the timely reporting of financial and tax information.

The number and kind of ledger accounts will vary with the details of your forestry business. Accounts typically used include those that are specifically related to timber operations plus those that are generally needed for any business. Only the basic accounts needed to illustrate tree farm records are introduced here. To save space, repetitive costs (e.g., annual property taxes) are shown in the journal only once. Forestry expenditures accounts include accounts for both capital and expense items, as discussed in Chapter V. Revenues are placed in either capital gain or ordinary income accounts.

Capital Accounts

Tree farm assets generally include (a) land, (b) timber and (c) improvements. Each item that adds significantly to the value of the property should be reflected in an account. Then when an item is disposed of, worn out, or used up, it can be properly treated with respect to its contribution to the production of income.

The **Land account** contains entries for the land and land improvements (Figure XIV-2). Permanent land improvements include such things as nondepreciable roadbeds of roads, land leveling, and impoundments—items that have indeterminate useful lives. The amounts for land and nondepreciable land improvements should not be combined in the basis of the land account because events may require you to substantiate the basis of an improvement. For example, if a casualty resulted in destruction of a roadbed, you would need to know the basis in the affected property in order to claim a casualty loss. The basis in the land account is recovered for tax purposes as an offset against income when the land is sold or otherwise disposed of.

A **Timber account** may contain subaccounts for merchantable timber, nonmerchantable young natural growth, and plantations. One or more merchantable accounts may be kept, depending on your management goals, but a single averaging account is the simplest for small to medium sized woodlands. A merchantable timber account should include the merchantable volume that could have been harvested at

prevailing utilization standards when the property was acquired (Figure XIV-3). It should also include that portion of the original purchase basis (see Chapter V) attributable to the initial merchantable volume.

When **premerchantable natural growth timber** is acquired, its allocable portion of the total acquisition cost on an acreage basis is established in a young-growth subaccount (Figure XIV-4). You are required to establish a premerchantable subaccount if the young growth makes a substantial contribution to the total value of the woodland property (see Chapter V). The premerchantable timber basis is transferred to a merchantable account as the young growth reaches merchantability. Merchantability standards vary with local market conditions. An estimate of the volume per acre being transferred is also required, as the unit for measuring timber changes from area to volume. The transfer is made by increasing the basis and volume in the merchantable timber account while reducing the basis and acreage in the young growth account by a corresponding amount. In the example that follows, the basis of \$12,415 and an estimated merchantable volume of 1,350 cords on the 60 acres are transferred to a merchantable pulpwood account (not shown).

A **Reforestation subaccount** (not shown) is similar to the premerchantable subaccount. It is created when a new timber stand is established by artificial regeneration (planting or seeding) following a harvest. Replanting costs following a failure of the initial establishment effort must also be capitalized. Note, however, that if Revenue Ruling 90-61 (page 94) applies, the basis in the property subject to failure may be reduced.

Amortization of reforestation is an account for recording qualified reforestation amortization. An account must be established for each year that qualified expenditures are made (see Chapter V, page 24, and Table XIV-1, item no. 17).

Depreciation accounts are established for equipment and other depreciable assets that are used on your tree farm (see Figure XIV-5 and Table XIV-1, item no. 4). The cost of equipment used in forestry operations is established in subaccounts according to the procedures discussed in Chapter V, page 18. Bridges, culverts, gravel surface on a road, and fences are examples of depreciable land improvements for which subaccounts may also be established. They are depreciable because they wear out and have a determinable useful life. The cost of such items must be depreciated rather than deducted currently because their determinable useful life is greater than 1 year.

Expense Accounts

The number of expense accounts that you need depends on the nature of your operations. Property taxes, travel expenses, and expenditures for various timber stand maintenance operations are some of the typical costs that you may incur (e.g., see Table XIV-1). Maintenance operations include such activities as precommercial thinning, prescribed burning for hazard reduction, the purchase of small tools and sup-

Table XIV-1—Forever Green: Tree Farm Accounts

Ref.	Debits \$	Credits \$
1. Cash Account		
1		2,500
2		81,180
3		4,000
11		8,868
12		421
13		1,696
14		410
15		4,730
16	7,884	
17	70,956	
19		12,500
20		930
21	5,000	
23		3,600
25		1,500
26		165,250
27		6,400
33		276
34		640
35		15,201
38	600	
2. Temporary Capital Account		
1	2,500	
2	188,180	
3	4,000	
4		194,680
26	165,250	
27	6,400	
28		171,650
36	5,454	
37		5,454
3. Mortgage Payable		
2		100,000
11	3,700	
	Bal. fwd.	96,300*
	Bal. fwd.	55,231
35	10,663	*
	Bal. fwd.	44,568
* Repetitious data omitted.		
4. Depreciation Expense		
10	467	
5. Accumulated Depreciation		
10		467
6. Interest Expenses		
11	5,168	*
35	4,538	
36		4,538
* Repetitious data omitted.		
7. Travel Expenses		
33	276	
36		276
8. Operating Expenses		
12	421	
9. Truck Maintenance		
13	217	
10. Bridge Maintenance		
13	582	
20	352	

11. Road Maintenance		
13	897	
20	578	
12. Property Tax Expense		
14	410	
34	640	
36		640
13. Timber Stand Improvement		
25	1,500	
14. Timber Sale Revenue		
16		7,884
17		70,956
	Bal. fwd.	78,840
15. Cost of Timber Sold (Basis)		
18	54,934	
16. Expenses of Sale		
15	4,730	
17. Amortization of Reforestation		
22	509	
24	1,262	
18. Hunting Lease		
38		600

plies, and equipment maintenance. See also Chapter V for a discussion of forestry expenses and their tax treatment, including the effect of the passive loss rules.

Capital Income Accounts

Timber normally generates capital gains or losses when you dispose of it (see the discussion on capital gains in Chapter VI). Accounts associated with timber dispositions include those for Timber Sale Revenue, Cost of Timber Sold (Basis), and Timber Sale Expenses (Table XIV-1; and accounts 14, 15, and 16, respectively).

Ordinary Income Accounts

Ordinary income may be generated in many ways from a tree farm. In fact, most income other than that from the sale of timber or perhaps land, will be ordinary income. Examples are hunting lease payments, selling firewood from logging slash, sale of wild nuts, and sale of pine straw. Since ordinary income may be important for offsetting management expenses, appropriate accounts should be established to record it. A **Hunting Lease Account** illustrates this point (see Table XIV-1, ref. 38).

General Business Accounts

You also need to establish accounts that are basic to any business. A **cash account** is used to handle revenues, pay bills, and make allocations to other business accounts. Other categories of accounts for accumulating cash flows for business or tax decisions include: **Interest Expense, Travel Expense, Vehicle Maintenance, Depreciation Expense, Accumulated Depreciation, Mortgage Payable, and Miscellaneous**. These are shown in Table XIV-1 in abbreviated form in order to provide continuity with the forestry accounts (Figures XIV-2 through XIV-6) in the following example of a tree farm purchase.

Comprehensive Example XIV-1

Records for a Tree Farm Purchase: Forever Green Tree Farm was purchased by Red Oaks from B. Smith on June 1, 1988, for \$194,680. Red Oaks subsequently purchased the adjoining Lonesome Pine tract on September 2, 1993, from Mountain Realty Company for \$165,250. The journal entries to record the acquisition of these properties, the allocation of the purchase price to the respective capital accounts, the payment of annual operating expenses, the selling of timber, and the reforestation of the harvested stands are shown in the Forever Green Tree Farm Journal (Figure XIV-1). They are then transferred (posted) to the respective capital accounts (Figures XIV-2 through XIV-6) and to the general business accounts that are shown in abbreviated form in Table XIV-1.

An example of each type of transaction is briefly explained to illustrate the process of handling various cash flows and the tax treatment each should receive. The consulting forester's appraisal for the Forever Green property is shown in Table XIV-2. The appraisal cost of \$2,500 (Figure XIV-1, ref. 1) and the legal fees of \$4,000 (Figure XIV-1, ref. 3) are capital acquisition costs for purchasing the property. They are added to the \$188,180 purchase price (ref. 2) of the property that was allocated to the capital accounts. The initial book-keeping is handled with a temporary capital account that reflects the \$194,680 total cost of the acquisition (ref. 4). Allocation of the acquisition cost to the capital accounts is shown in Table XIV-3. The basis in land is recorded in the Land Account (Figure XIV-2, ref. 5). Similarly, the basis in merchantable timber is recorded in the Merchantable Sawtimber Account (Figure XIV-6, ref. 6a) and to Merchantable Pulpwood (ref. 7, but not shown). A corresponding estimate of the merchantable volume—650 MBF—is reported in the Merchantable Sawtimber Account (Figure XIV-3, ref. 6b). The young growth is recorded in the Young Growth Account (Figure XIV-4, ref. 8). The basis of the bridge is posted to the Depreciable Land Improvement Account (Figure XIV-5, ref. 9). It is depreciated using a straight line method with a 15-year recovery period and an assumed salvage value of zero. The first year depreciation deduction is shown in Table XIV-1 (No. 4, ref. 10) and the depreciation is accumulated in Account No. 5 (ref. 10). The information in these accountants should be used to complete Schedule B (Acquisitions) of Form T (Timber) if it is filed with your Federal income tax return. Form T should be completed and filed with your records even if not required to be filed with the IRS.

The business loan on Forever Green Tree Farm is amortized, and the interest expense, which is deductible (Figure XIV-1, ref. 11), and reduction of principal, which is not deductible (Table XIV-1, Account 3), are recorded in separate accounts.

Various operating expenses for the Forever Green Farm that are also shown in Table XIV-1 include those for supplies (ref. 12), maintenance (ref. 13), and property taxes (ref. 14). See chapter V for a discussion of expenses, including treatment of the business interest discussed above.

When Red Oaks planned to sell timber in 1990, he hired a consulting forester to prepare the sale for a fee of \$4,730 (ref. 15). The bid deposit and balance of the sale income are recorded in Account 14, Timber Sale Revenue (Table XIV-1,

refs. 16 and 17, respectively). The cost of timber sold (allowable basis) is calculated using information from the Merchantable Sawtimber Account (Figures XIV-3 and XIV-6). This amount of \$54,934 (ref. 18) is recorded in Account 15, Cost of Timber Sold (Table XIV-1).

The harvested 60 acres is site prepared for reforestation (Figure XIV-1, ref. 19). Red Oaks received FIP cost-share payments of \$5,000 (ref. 21). The amortization schedule is shown in Table XIV-4. The first year amortization deduction is shown in Table XIV-1, Account 17, Amortization of Reforestation (ref. 22). The expenditures for reforestation are recorded in the Reforestation Account (not shown). The site prepared tract was planted the following year for \$3,600, for which no cost-share payment was received (Figure XIV-1, ref. 23). The amortization is shown in Table XIV-1, Account 17.

Red Oaks spent \$1,500 on timber stand improvement operations in order to maintain the quality and growth of selected trees. This is a deductible expense shown in Table XIV-1, Account 13, ref. 25. His timber ownership is assumed to be a business and he is assumed to be materially participating in the operations.

In 1993, the adjoining tract was purchased by Red Oaks. The purchase and allocation of capital is similar to the establishment of the original accounts. These additions show the adjustments to basis in the Land Account (Figure XIV-2, ref. 29); Merchantable Timber (Figure XIV-4, ref. 30b, and Figure XIV-6, ref. 30); and Young Growth (Figure XIV-4, ref. 31).

When the young growth in the original purchase reached merchantability in 1993, it was transferred from the Young Growth Account (Figure XIV-4, ref. 32) to the Merchantable Pulpwood Account (not shown). Note that this is an option chosen by Red Oaks based on his timber management goals. He is keeping the merchantable accounts separate by products (i.e., sawtimber and pulpwood), although they could have been combined into a single merchantable account.

In 1993, Red Oaks' fortunes were not good, resulting in zero taxable income. He elected to capitalize as carrying charges the expenses for travel (Figure XIV-1, ref. 33), property taxes (ref. 34), and business interest (ref. 35). The total of \$5,454 is proportionately allocated to the timber accounts (Figure XIV-1, ref. 37).

The diversity of Forever Green Tree Farm—mixtures of timber species, various age classes, and openings caused by harvesting—offered good hunting prospects. Red Oaks leased the property for 5 years to the Laid Back Hunt Club for \$600 per year (\$2 per acre per year). Most members are neighbors, and the agreement included clauses for insurance coverage, fire protection and prevention of trespass. The first payment was received at the beginning of 1994 (Table XIV-1, ref. 18 and Figure XIV-1, ref. 38).

Blank ledger forms for beginning a Tree Farm journal and Accounts for Merchantable Timber, Young Growth, and Reforestation are shown in Appendix IV. These are the minimum needed for efficiently recording information in tree farm capital accounts. Other general business accounts such as those suggested in Table XIV-1 should be added as needed to reflect the complexity of your tree farm operations.

Table XIV-2—Summary of Cruise Reports for Forever Green Tree Farm and Lonesome Pine Tree Farm Purchases

Description of Assets	Value
Forever Green Tree Farm (01/15/88):	
1. 200 acres of average site land @ \$300/acre =	\$ 60,000
2. Merchantable pine and mixed hardwood sawtimber on 100 acres ¹ Pine—400 MBF @ \$165/MBF = \$66,000 Hardwood—250 MBF @ \$90/MBF = \$22,500	88,500
3. Pulpwood—pine and mixed hardwood on 40 acres ¹ Pine—880 cords @ \$15/cord = \$13,200 Hardwood—320 cords @ \$9/cord = \$2,880	16,080
4. Young growth pine averaging 8 years old on 60 acres 60 acres @ \$200/acre =	12,000
5. Used wooden bridge—90 feet (15-year recovery period with no salvage value).	11,600
Total estimated fair market value:	\$188,180
Lonesome Pine Tree Farm (08/01/93):	
1. 120 acres of fair quality land @ \$250/acre =	30,000
2. Merchantable pine-hardwood sawtimber on 80 acres ¹ Pine—470 MBF @ \$195/MBF = \$91,650 Hardwood—280 MBF @ \$120/MBF = \$33,600	125,250
3. Young growth pine averaging 5 years old on 40 acres 40 acres @ \$250/acre =	10,000
Total estimated fair market value:	\$165,250
¹ Submitted by E.Z. Cruiser, Registered Forester No. 424.	

Table XIV-3—Allocation of Forever Green Tree Farm Assets to Capital Accounts

Account	Fair market value (FMV)	Percent of total FMV	Allocation of acquisition cost	Original cost basis
	(\$)	(%)	(\$)	(\$)
Land	60,000	31.88	2,073	62,073
Sawtimber	88,500	77.03	3,057	91,557
Pulpwood	16,080	8.55	555	16,635
Young growth	12,000	6.38	415	12,415
Bridge	11,600	6.16	400	12,000
Total	188,180	100.00	6,500	194,680

Table XIV-4—Forever Green Tree Farm: Reforestation Tax Credit and Amortization Schedules

For 1991 Federal tax returns:	
Site preparation cost (see ref. 19)	\$12,500
Less FIP cost-share payment (see ref. 21) (Payment excluded from gross income),	\$ 5,000
Total out-of-pocket reforestation cost eligible for credit and amortization	\$ 7,500
<i>Investment credit</i> (report on IRS Form 3468): \$7,500 x 10% =	\$ 750
<i>Amortization schedule</i> (report on IRS Form 4562):	
(1) Reduce amortizable basis by one-half of credit claimed: \$7,500- (\$750 x .5) =	\$ 7,125
(2) Compute deductions over 84 months (8 tax years) using one-half year convention (i.e., only 6 months is claimed in first and last years) 1991 and 1998 returns (see ref. 22) \$7,125 x (1/14) =	\$ 509
1992-1997 returns (see ref. 24) \$7,125 x (1/7) =	\$ 1,018
For 1992 Federal tax returns:	
Planting cost (see ref. 23)	\$ 3,600
Total out-of-pocket reforestation cost eligible for credit and amortization (i.e., cost-share payment was not received on this activity)	\$ 3,600
<i>Investment credit</i> \$3,600 x 10% =	\$ 360
<i>Amortization schedule</i>	
(1) Reduce basis for credit taken \$3,600 - (\$360 x .5) =	\$ 3,420
(2) Amortization deductions:	
1992 and 1999 returns (see ref. 24) \$3,420 x (1/14) =	\$ 244
1993-1998 returns \$3,420 x (1/7) =	\$ 489

Figure XIV-1—Forever Green Tree Farm: Journal

Date	Accounts and Explanation	Ref.	Debits	Credits
			(\$)	(\$)
06/01/88	Temporary capital account	1	2,500	
	Cash			2,500
	E.Z. Cruiser, Consultant for T.F. appraisal report			
06/01/88	Temporary capital account	2	188,180	
	Cash			88,180
	Mortgage payable			100,000
	Purchase Forever Green tree farm			
06/15/88	Temporary capital account	3	4,000	
	Cash			4,000
	S. Lawyer, attorney for title search, filing, and closing			
06/21/88	Land—Lonesome Pine tract (fig. XIV-2)	5	62,073	
	Merchantable sawtimber (figs. XIV-3, XIV-6)	6a	91,557	
	Merchantable pulpwood (not shown)	7	16,635	
	Young growth (fig. XIV-4)	8	12,415	
	Equipment (bridge, fig. XIV-5)	9	12,000	
	Temporary capital account	4		194,680
	Allocation of tree farm purchase to permanent capital accounts			
12/31/88	Depreciation expense	10	467	
	Accumulated depreciation			467
	First year depreciation of bridge			
12/31/88	Interest expense	11	5,168	
	Mortgage payable		3,700	
	Cash			8,868
	Interest expense and mortgage principal reduction for 1988 (See Interest Expense and Mortgage Payable Accounts in Table XIV-1.)			
01/15/89	Operating expense	12	421	
	Cash			421
	Forest Suppliers for purchase of axes, posted signs, flagging			
06/01/89	Bridge maintenance	13	582	
	Truck maintenance		217	
	Road maintenance		897	
	Cash			1,696
	Forestry expenses for servicing truck, grading, pulling ditches, and repairing bridge			
12/31/89	Property tax expense	14	410	
	Cash			410
	Treasurer, Local County			
02/15/90	Expenses of sale (table XIV-1)	15	4,730	
	Cash			4,730
	E.Z. Cruiser, consultant for sale preparation (see also table XIV-2)			

Figure XIV-1—Forever Green Tree Farm: Journal (cont'd)

Date	Accounts and Explanation	Ref.	Debits	Credits
04/10/90	Cash	16	7,884	
	Timber sale revenue			7,884
	Deposit (10%), on timber sale from Sawyer Lumber Co.			
05/07/90	Cash	17	70,956	
	Timber sale revenue			70,956
	Balance of sale revenue from Sawyer Lumber Co. (see also table XIV-1)			
12/31/90	Cost of timber sold ¹	18	54,934	
	Merchantable sawtimber account (value)			54,934
	Allowable as basis for sale			
	Merchantable sawtimber account (see also chapter VI)			
06/15/91	Reforestation account (not shown)	19	12,500	
	Cash			12,500
	B. Roller, contractor for site preparation on 60 acres of cutover land			
08/26/91	Bridge maintenance	20	352	
	Road maintenance		578	
	Cash			930
	M. Truck, contractor for road grading, bridge repair			
09/01/91	Cash	21	5,000	
	Reforestation account (not shown)			5,000
	ASCS, receipt of FIP cost-share payments on site preparation (see also table XIV - 2)			
12/31/91	Amortization of reforestation	22	509	
	Reforestation account (not shown)			509
	Amortization of site preparation (see table XIV-4)			
02/10/92	Reforestation account	23	3,600	
	Cash			3,600
	E.Z. Cruiser, contractor for planting pine on site prepared 60-acre cutover tract (see table XIV-4)			
12/31/92	Amortization of reforestation	24	1,262	
	Reforestation account (not shown)			1,262
	Second year of site preparation (\$1,018) and first year of planting amortization (\$244) (see table XIV-4)			
08/06/93	Timber stand improvement	25	1,500	
	Cash			1,500
	R. Axman, contractor for timber stand improvement in 60-acre natural pine stand			

¹ Volume removed in sale (see Form T) 438 MBF, is adjusted in Merchantable Sawtimber Account (Figure XIV-3).

Figure XIV-1—Forever Green Tree Farm: Journal (cont'd)

Date	Accounts and Explanation	Ref.	Debits	Credits
			(\$)	(\$)
09/01/93	Temporary capital account	26	165,250	
	Cash			165,250
	Mountain Realty Co., acquire Lonesome Pine—120 acres total			
09/02/93	Temporary cash account	27	6,400	
	Cash			6,400
	Mountain Realty Co., appraisal, title search, legal fees, etc. to acquire Lonesome Pine			
09/15/93	Total cost of property (6,400 + 165,250)	28		171,650
	Land	29	31,162	
	Merchantable sawtimber (figs. 12 and 15)	30a	130,101	
	Young growth	31	10,387	
	Allocation of Lonesome Pine purchase to permanent capital accounts			
09/31/93	Pulpwood timber	32	12,415	
	Young growth			12,415
	Young growth transferred to pulpwood timber account (value not shown)			
11/01/93	Travel expense	33	276	
	Cash			276
	Routine inspection of boundaries, roads, and fire lines from travel diary (not shown)			
12/31/93	Property tax expense	34	640	
	Cash			640
	To Local County Treasurer for property tax expenses			
12/31/93	Interest expense	35	4,538	
	Mortgage payable		10,663	
	Cash			15,201
	Interest expense and mortgage principal reduction for 1993			
12/31/93	Capital account	36	5,454	
	Travel expense			276
	Property tax expense			640
	Interest expense			4,538
	Election to capitalize carrying charges for 1993			
12/31/93	Capital account	37		5,454
	Merchantable sawtimber account		3,808	
	Pulpwood account (not shown)		1,349	
	Young growth account		297	
	Allocation of carrying charges to timber accounts			
1/1/94	Cash	38	600	
	Hunting lease			600
	Receipt of hunting lease payment from Laid Back Hunt Club			

Figure XIV-2—Forever Green Tree Farm: Land Account

Date	Description of Activity	Ref.	Debits	Credits
			\$	\$
06/21/88	Allocation of Forever Green T.F. cost to land: Oaks Tract (see table XIV-3)	5	62,073	
09/15/93	Allocation of Lonesome Pine purchase cost to land	29	31,162	
09/15/93	Adjusted balance (basis) carried forward		93,235	

Figure XIV-3—Forever Green Tree Farm: Merchantable Sawtimber Account—Volume*

Date	Description of Activity	Ref.	Additions	Removals
				MBF
06/21/88	Estimated merchantable volume of pine and hardwood sawtimber at date of purchase (see Forever Green T.F. cruise in table XIV-2)	6b	650	
01/02/90	Growth for 1988-90 (2 years: see cruise report, table XIV-2)		80	
01/02/90	Adjusted volume carried forward		730	
12/31/90	Volume removed in sale	18b		438
12/31/90	Adjusted volume carried forward		292	
09/15/93	Estimated volume on Lonesome Pine when purchased (see table XIV-2)	30b	750	
09/31/93	Adjusted volume carried forward		1,042	

* See figure XIV-6 for corresponding value.

Figure XIV-4—Forever Green Tree Farm: Young Growth Account

Date	Description of Activity	Ref.	Debits	Credits
			\$	\$
06/21/88	Allocation of Forever Green T.F. purchase cost to young growth (60 acres of pine, see table XIV-3)	8	12,415	
09/15/93	Allocation of Lonesome Pine purchase cost to young growth (40 acres, see table XIV-3)	31	10,387	
09/31/93	Transfer young growth to Merchantable Pulpwood Account (value); volume estimated (cruised) to be 1,350 cords by E.Z. Cruiser	32		12,415
09/31/93	Adjusted balance carried forward		10,387	
12/31/93	Election to capitalize carrying costs, proportional allocation	37	297	
12/31/93	Adjusted balance carried forward		10,684	

Figure XIV-5—Forever Green Tree Farm: Depreciable Land Improvement

Date	Description of Activity	Ref.	Debits	Credits
			\$	\$
06/21/88	Allocation of Forever Green T.F. purchase cost to equipment, a 90-foot wooden bridge (see table XIV-3)	9	12,000	
12/31/88	Depreciation deduction for 1988 [(straight line)—(\$12,000/15) x 7/12 months]	10		467
12/31/88	Adjusted balance carried forward (Subsequent depreciation entries are not shown.)		11,533	

Figure XIV-6—Forever Green Tree Farm: Merchantable Sawtimber Account (Value)

Date	Description of Activity	Ref.	Debits	Credits
			\$	\$
06/21/88	Allocation of Forever Green T.F. purchase cost to timber	6a	91,557	
12/31/90	Allowable as basis for sale	18a		54,934
12/31/90	Adjusted basis carried forward		36,623	
09/15/93	Allocation of Lonesome Pine purchase to timber (see table XIV-2)	30a	130,101	
09/15/93	Adjusted basis carried forward		166,724	
12/31/93	Election to capitalize carrying charges	37	3,808	
12/31/93	Adjusted basis carried forward		170,532	

Glossary

Accounts. A record of all transactions that affect one segment of a business. Examples are a cash account, land account, merchantable timber account, and depreciation account.

Alternative Minimum Tax. The excess, if any, of a taxpayer's tentative minimum tax for a tax year over his (her) regular tax for that tax year. The Code defines tentative minimum tax for various categories of taxpayers.

Amortization. The process by which the basis of certain capital assets, such as qualifying reforestation expenditures, is recovered. The rate of recovery is based on a set time period.

Basis. In general, the amount paid for property, including expenditures made in connection with the purchase, is the basis of the property. The basis of property acquired by other means is determined by the manner of acquisition (for determining the basis of property acquired by inheritance or gift, see page 17).

Adjusted.—The original basis less any reductions made because of depreciation, depletion, amortization, or losses claimed, plus any additions, made by capitalization of improvements, carrying charges, or additions to the asset.

Allowable.—The portion of the adjusted basis that can be offset against the revenue received when standing timber is sold or otherwise disposed of.

Stepped-up.—Assets acquired by inheritance take as their basis the fair market value of the asset on the deceased's date of death or on the alternate valuation date. This value is generally greater than the basis of the asset in the hands of the deceased. The basis is therefore stepped-up (increased) in passing from the deceased to the person inheriting it.

Benefit Cost Ratio. The discounted present value of all revenues from an investment divided by the discounted value of all costs. It is usually expressed as a ratio such as 1.10 to 1.0 if the benefits were 10 percent greater than costs.

Board Foot (bd. ft.). The standard of measure of certain trees, logs, and other products cut therefrom. The unit is one foot square and one inch thick. Tables based on various "log rules" are used to convert tree and log lengths and diameters into board foot volumes.

Business. Generally, an activity carried out for the realization of a profit and characterized by regular transactions. Neither the Code nor Regulations provide a precise definition of the term "trade or business."

Capital Account. An account used to keep track of the basis and quantity of such assets as land, timber, buildings, and equipment.

Capital Gain or Loss. Generally, the gain or loss realized on the sale or exchange of capital assets such as land, timber, buildings, and equipment. Income received in this manner is treated differently for tax purposes than income received in the form of wages or salary, or the profit realized from the operation of a business.

Capitalize. The process of adding the amount paid for property and additional qualifying expenditures to a capital

account. The capitalized amount is recoverable through depreciation, depletion, amortization, or sale or exchange of property.

Carrying Charge. Expenditures made to carry an asset, that is, maintain possession. Examples are interest, taxes, and insurance.

Casualty. An identifiable event of a sudden, unexpected, and unusual nature. The complete or partial loss (destruction) of property resulting from a casualty is known as a casualty loss.

Code. Refers to the Internal Revenue Code of 1986, as amended. This is the written tax law as enacted by the U.S. Congress. The Department of the Treasury issues regulations to interpret the Code. Revenue rulings published by the IRS provide information and guidance in applying the tax law and regulations correctly and uniformly.

Condemnation. The lawful taking of private property by a government body for public use without the consent of the owner, with payment of compensation.

Conversion Cost. The cost of converting standing timber into a salable product, such as logs, lumber, and railroad ties. In the case of producing lumber, the costs include those incurred to cut down (fell) the trees, cut off the limbs, section the tree stem into logs (buck), move the logs to a point where they can be loaded on a truck (skid), transport the logs to a sawmill and saw the logs into lumber.

Cord. A unit of measure used in conjunction with timber to be converted into pulpwood, firewood, or other products that are not produced or measured in terms of board feet. A standard cord is a 4x4x8 foot stack of wood.

Credit. An amount allowed as an offset against income tax for a particular tax year.

Cruise. The process by which the volume, type, and quality of timber within a designated area is determined. The cruise can be made by actually measuring the dimensions of each tree, referred to as a timber inventory. A cruise can also be made by measuring only those trees selected in a statistically-based sampling scheme. If the timber within the designated area is uniform, the total volume within the area can be estimated to a predetermined level of accuracy by measuring the trees on a portion of the total area.

Depletion. The using up or wasting away of a natural resource. In the case of timber, it is the recovery of the owner's basis in timber, referred to as "depletion allowance." The term applies when timber is cut by the owner, and the logs cut from the timber are sold or used in the owner's business.

Average.—If all of the timber from more than one tract and of various grades and species is included in one timber account, the depletion unit, and therefore the depletion allowance or allowable basis, is an average of all the timber in the account.

Species or Value.—Under certain conditions, it may be permissible to maintain separate timber depletion accounts for individual species, value, or product classes of timber from one or more tracts.

Depreciation. The process by which the basis of assets, such as equipment, buildings, and fences, is recovered as the assets are used for the production of income.

Disposal. Timber is disposed of when the owner cuts, sells, or exchanges timber, or otherwise parts with the property. In the case of a 631(b) transaction, timber is disposed of when the owner transfers cutting rights to another under a binding contract obligating the seller to sell and the purchaser to cut at the time cutting begins.

Economic Interest. This concept was developed by the U.S. Supreme Court to determine which taxpayers in addition to the fee owner of property qualify for certain tax benefits. Section 631(b), discussed on page 34, requires that an economic interest be retained. An economic interest is retained in every case in which the taxpayer has acquired by investment any interest in standing timber and secures, by any form of legal relationship, income derived from the severance of the timber to which the taxpayer must look for a return of capital.

Equal Annual Equivalent. This is the net annual return (or cost) over the life of an investment for a given discount rate. It is similar to an installment payment over the life of a loan.

Establishment Cost. The funds spent to prepare a site for tree planting or seeding, for seedlings or tree seeds, and for hired labor associated with reforestation, including supervision. The establishment cost may also include some expenditures made after seeding or planting, such as for brush control, because a stand is not considered established until a number of individual stems sufficient to adequately stock the site with the desired species are capable of surviving (see summary of Revenue Ruling 76-290, page 92).

Executory Contract. A contract that specifies the agreement reached between the contracting parties, but that does not become effective unless and until some specified event or action has occurred. A timber sale contract may, for example, specify that the timber is not sold under the contract until the buyer has cut the timber and determined the volume cut.

Expensing. Recovery of expenses by deducting them in full in the year they are paid or incurred.

Fair Market Value. The price at which property would change hands between a buyer and a seller, neither being required to buy or sell, and both having reasonable knowledge of all the necessary facts.

Farm. Generally, a trade or business producing "farm income." Specific Sections of the Code more precisely define farming for purposes of that particular section. Many Code sections specifically exclude the production of timber from the definition of farming.

Felled Timber. Timber in trees that have been cut down (severed) and are lying on the ground.

Forester.

Consulting.—Foresters for hire on a contract basis. They charge a daily fee plus expenses for certain types of services and provide other services on a fixed cost contract basis. Some charge a fixed percentage of the sale price to provide all or a portion of the services required in connection with timber sales.

Extension.—Foresters employed by the Cooperative Extension Service of the state. They are usually based at the state's land-grant university. Their primary function is to provide educational materials and related services. In

some states, they are available for a limited amount of on-the-ground assistance to individual landowners.

Industry.—Foresters employed by a timber growing and/or processing company. They frequently provide technical assistance in conjunction with timber purchased from private landowners. Many companies also have formal programs through which they make their foresters available to assist landowners in all aspects of timber management.

Service.—Also referred to as "District" or "State" foresters, they are employed by the state agency charged with responsibility for protecting the state's public and private forest lands. These foresters are available for a wide variety of services, although the amount of time they can devote to any one landowner is generally limited. They also approve and certify financial assistance to landowners under the Forestry Incentives and Agricultural Conservation programs. Their services are usually free.

Girdling. The process of encircling the trunk of a tree with a cut that stops the flow of nutrients between leaves and roots, resulting in the death of the tree.

Hobby. An activity engaged in without the primary intent of realizing a profit.

Income.

Active.—Income generated by a trade or business activity in which the taxpayer materially participates.

Capital.—See capital gain.

Farm.—Income received from the sale of agricultural commodities such as grain, livestock, fruit, vegetables, dairy products, poultry, and fish.

Ordinary.—Income received in the form of wages, salary, rent, etc.

Passive.—Income generated by a trade or business activity in which the taxpayer does not materially participate.

Portfolio.—Income generated by certain investment activities.

Information Return. A prescribed IRS form whereby taxpayers are required to report certain activities with third parties to the IRS with a copy to the third party.

Installment Sale. A sale in which at least one payment is received by the seller after the tax year in which the disposition occurs.

Internal Rate of Return. Average compound interest rate earned over an investment period.

Investment. An activity engaged in with the intention of realizing a profit, but not rising to the level of a trade or business.

Involuntary Exchange. The exchange of an asset, for money or other property, when the exchange results from a cause beyond the control of the owner, such as a casualty, theft, or condemnation.

Journal. A record of business transactions recorded in chronological order. It usually shows the date, amount of transaction, description including names, and the accounts affected.

Ledger. A book of accounts.

Lessee. The person to whom the lease is made, for example, the timber company in the case of a timberland owner who leases land to a timber company.

Lessor. The person granting the lease, for example, a timberland owner who leases to a timber company the right to cut and grow timber on the land.

Log Rule. A measuring formula that gives the relationship between the diameter and length of a log and the board foot volume of lumber which could be sawn from the log. It is assumed that the entire log is sawn into one-inch thick boards. Several rules have been developed based on varying assumptions about the thickness of the saw and sawing practice used. Some of the standard rules are International 1/4 inch, Scribner decimal C, and Doyle.

Lump Sum Sale. The outright sale, usually by means of a timber deed or sale contract, of standing timber for a fixed total amount agreed upon in advance.

Marking. The process of designating the trees that are to be sold and cut. A common practice is to spray indelible paint on the tree at eye level and at ground level. This allows the buyer to identify the trees to be sold and the seller to determine that only marked trees were cut.

Material Participation. The act of participating in the operations of a trade or business activity on a regular, continuous, and substantial basis.

Net Operating Loss. The excess when total deductions for a taxpayer's trade or business activities exceed gross income for a particular tax year.

Net Present Value. The discounted present value of all revenues and all costs associated with an investment.

Operating Costs. The ordinary and necessary costs associated with the day-to-day operation and management of business and investment property.

Proceeds. The total amount received from the disposition of an asset, either as payment in cash, notes or other securities, services in kind, or any other valuable consideration.

Regulations. The interpretations by the Department of the Treasury of the Federal tax laws (Code) enacted by the U.S. Congress. They provide the official rules for applying the Code to the circumstances of specific taxpayers.

Revenue Rulings. The official interpretations by the Internal Revenue Service of the application of the Code, related statutes, tax treaties, and Regulations to specific circumstances. They are published for the information and guidance of taxpayers, IRS personnel, and other concerned.

Salvage Sale. The sale of damaged timber before it deteriorates to the point of worthlessness.

Scaling. The process of measuring the dimensions of individual logs or trees. The measurements are used to

estimate the volume of the logs or trees by applying the dimensions to a log rule or tree volume table.

Severance Tax. A state excise tax on the cutting of timber. In most states in which the tax is levied, it is in addition to any property taxes levied or taxes in lieu of property taxes. Funds generated are often designated for specific forestry-related purposes such as fire control, reforestation, and public forestry assistance.

Site Preparation. The preparation of land for the planting of tree seedlings or tree seeding. The objectives include reduction of brush and other obstacles to allow planting equipment to operate, reduction of vegetation that would compete with young trees, scarification of the soil to provide a suitable seedbed, and other action that may be required to alter the site to accommodate new trees.

Stumpage. Standing timber or, more generally, recoverable wood in those trees that have not been severed from their roots by cutting. Stumpage would therefore include the wood in trees that have been blown over or broken by wind or ice storms.

Sublessor. A lessee who leases a leasehold interest to a third party.

Timber.

Defined.—For federal income tax purposes, timber generally means the wood in standing trees that is available and suitable for exploitation and use by the forest industries. Section 631 of the Code broadens the meaning to include certain evergreen trees cut and sold for ornamental purposes, see page 38.

Trespass.—An unlawful taking of timber without the permission of the owner.

Timeline. A diagram showing the year when costs are incurred and income is received over the period of a timber investment.

Transaction. An accounting term used to designate an action or event that leads to an entry in the books of account.

Uniform Capitalization Rules. The rules that require that preproductive costs associated with a business or investment be capitalized rather than expensed if the preproductive period is more than two years.

Yield Tax. A state tax due when income is realized from harvesting timber. It is usually levied in lieu of an ad valorem tax that would otherwise be due on the timber itself.

Appendix I. Summaries of Selected Revenue Rulings

Pertinent revenue rulings (Rev. Rul.) dealing with timber are summarized below. Obsolete and inconsequential rulings are not listed. Citations are given to the complete texts: Cumulative Bulletin (C.B.) published by the U.S. Department of the Treasury. The rulings are categorized by general subject and listed alphabetically within each general subject by key word.

Basis and Depletion Allowance

Christmas trees, capital and operating expenditures—In connection with the cultivation, as a trade or business, of Christmas trees for purposes of sale when they are more than 6 years old, the expenditures incurred for planting, must be capitalized. Expenditures incurred for silvicultural practices such as weeding, cleaning, and noncommercial thinning are deductible as ordinary and necessary trade or business expenses. The cost of land improvements is capitalized in the land account. The cost of purchased equipment and other depreciable assets, such as culverts and fences, should be capitalized and recovered through the allowance for depreciation. Modified by Rev. Rul. 71-228. **Rev. Rul. 66-18, 1966-1 C.B. 59.**

Christmas trees, capital and operating expenditures—Costs incurred for shearing and basal pruning of trees grown for the Christmas tree market are deductible business expenses. (Sec. 62). Rev. Rul. 66-18 modified. **Rev. Rul. 71-228, 1971-1 C.B. 53.**

Cutting contract, advanced royalties—Advanced royalties paid or accrued by a lessee under a timber cutting contract in a tax year for timber cut during that year are not deductible under the provisions of reg. 1.612-3(b)(3), but are to be added to the lessee's depletable basis in the timber. Treas. Reg. §§1.612-3, 1.631-2. (Secs. 612, 631), **Rev. Rul. 77-400, 1977-2 C.B. 206.**

Logging roads, permanent vs. temporary, investment credit—A taxpayer's logging truck roads area "section 38 property" for investment credit purpose since they are an integral part of the operation of sawmills, the production of lumber and related products, or the manufacture of paper. Distinguished by Rev. Rul. 73-217. Treas. Reg. 1.46-3(e)(4),(5); 1.46-3(c)(1); 1.48-1(k); 1.48-1(b)(4), 1.48-1(d)(2),(4). (Secs. 38, 48). **Rev. Rul. 68-281, 1968-1 C.B. 22.**

Logging roads, depreciation—Depreciation of logging truck roads is distinguished in situations where (1) the road is expected to be useful to the taxpayer for an indefinite period, and (2) the road has a determinable useful life to the taxpayer. In the first situation, where the surfacing, bridges, and culverts of a logging truck road are expected to have a determinable useful life to the taxpayer, these assets are depreciable or amortizable. Since the roadbed of a well-maintained road has an indefinite useful life, its cost is not depreciable or amortizable. In the second situation, all

components are depreciable or amortizable since all have a determinable useful life to the taxpayer. **Rev. Rul. 88-99, 1988-2 C.B. 33.**

Long-term contracts, royalties vs. rent—The fair market value of the timber existing at the time of the execution of a long-term timber purchase contract constitutes the basis for depletion of the timber and payments in excess of the fair market value are consideration for the use of land deductible as a business expense. Amplified by Rev. Rul. 78-267. Treas. Reg. §§1.162-1, 1.612-1. (Secs. 162, 612). **Rev. Rul. 75-59, 1975-1 C.B. 177.**

"Purchaser credit" road construction contract, Forest Service—The basis for cost depletion of timber does not include the "purchaser credit" earned for specified road construction under a Forest Service contract. Further, amounts expended for construction of such roads are recovered through depreciation if the roads are used for harvesting the timber or added to the depletion basis if the roads are not used for harvesting the timber. Treas. Reg. §§1.611-5, 1.612-1, 1.631-1. (Secs. 611, 612, 631). **Rev. Rul. 71-354, 1971-2 C.B. 246.**

Reforestation, replacing dead seedlings—A timber producer sustains no deductible loss on the death, not due to casualty, of tree seedlings planted to reforest land from which it has harvested the mature timber. Amounts paid or incurred in replanting to replace the lost seedlings must be capitalized in accordance with reg. 1.611-3(a). Modified by Rev. Rul. 90-61. Treas. Reg. §§1.165-1, 1.611-3. (Secs. 165, 611). **Rev. Rul. 81-2, 1981-1 C.B. 78.**

Reforestation—Generally, direct costs of reforestation including girdling, herbicide application, baiting of rodents, labor and tool expense, and the planting and seeding equipment depreciation are capital expenditures recoverable through depletion allowances when the timber is cut or as adjusted basis if the timber is sold. Indirect cost, deducted in the year incurred or capitalized cumulatively under Section 266, include interest paid on money borrowed or service charges on performance bonds in lieu thereof to satisfy a State law requiring a deposit to guarantee reforestation. Rev. Rul. 55-252 superseded. Treas. Reg. §§1.263(a)-1, 1.611-3, 1.1011-1 (Secs. 263, 611, 1011). **Rev. Rul. 75-467, 1975-2 C.B. 93.**

Reforestation, payments under forestry incentives program—The excludable portion of cost-sharing payments received under the forestry incentives program (FIP) is excludable from gross income, and the total costs of reforestation less the excludable portion are to be capitalized as a cost of timber. Under the election not to have Section 126 apply to the FIP payment, the entire payment is includible in gross income, and the total costs of reforestation (not reduced by any portion of the FIP payment) are to be capitalized as a

cost of timber. Rev. Rul. 76-6 modified and superseded. Treas. Reg. §§1.61-1, 16A.126-1, 16A.126-2, 1.194-1, 1.611-3. (Secs. 61, 126, 194, 611). **Rev. Rul. 84-67, 1984-1 C.B. 28.**

Reforestation expenditures—The expenditures for destroying undesirable hardwood trees and brush in naturally reforested stands of southern pine young growth when related primarily to the seeding and establishment of the pine seedlings are capital expenditures recoverable through depletion. Treas. Reg. §1.611-3. (Sec. 611). **Rev. Rul. 76-290, 1976-2 C.B. 188.**

Cost sharing, payments under stewardship incentive program—The stewardship incentive program (SIP) was determined to be substantially similar to the enumerated programs in Section 126 of the Code. Thus, SIP cost-sharing payments in connection with improvements in small watersheds may be eligible for exclusion from gross income under Section 126. (As a result, the excludable portion of these cost-sharing payments is excludable from gross income, and the total costs of improvements less the excludable portion are to be capitalized to the appropriate land or timber account.) Reg. §§1.61-1, 16A.126-1, 16A.126-2. (Secs. 61, 126). **Rev. Rul. 94-27 1994-1 C.B. 26.**

Capital Gains

Cutting contract, "contract right to cut" defined—To be entitled to the benefits of Section 631(a) of the Code as the holder of a "contract right to cut" timber, a taxpayer must have acquired under such contract a proprietary interest in the timber which he cuts. Treas. Reg. §1.631-1 (Sec. 631). **Rev. Rul. 58-295, 1958-1 C.B. 249.**

Cutting contract, contract right to cut, future right—An option on a right to cut timber that is transferred as part of an exchange of property is not an enforceable contract right to cut for Section 631(a) purposes, in cases where the claimed right to cut is exercisable only after a future date or occurrence or is contingent upon an election or a transfer of additional consideration by a taxpayer. The holding period in such cases commences only when the right to cut becomes exercisable. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 74-529, 1974-2 C.B. 185.**

Contract cutting, road credit—The amount subject to treatment under Section 631(b) by a corporate timberland owner that disposes of timber under a cutting contract that specifies the unit price for an estimated number of units and the amount of a "road credit" allowed the purchaser for building access roads is the actual amount realized, which is the total contract price reduced by the road credit. Treas. Reg. §1.631-2. (Sec. 631). **Rev. Rul. 75-306, 1975-2 C.B. 243.**

Christmas trees sold on "choose and cut" basis—Income realized from the sale of Christmas trees that are selected and cut on the taxpayer's land by individual purchasers is ordinary income. However, the taxpayer may elect to treat the cutting of trees as sales or exchanges of timber as prescribed by reg. 1.631-1. Treas. Reg. §§1.631-1, 1.1231-1. (Secs. 631, 1231). **Rev. Rul. 77-229, 1977-2 C.B. 210.**

Cutting contract, fair market value of timber cut—The terms of a contract under which the taxpayer acquired the unrestricted right to cut and use timber in its lumber manufacturing business are not relevant in determining the fair market value of timber cut. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 74-271, 1974-1 C.B. 151.**

Cutting contract, payment for failure to cut—Amounts received under a timber cutting contract for timber cut, the quantity of which is based upon a "cruise" rather than scaling, qualifies for treatment under Section 631(b). A penalty payment received for failure to cut any portion of the "cruised" or marked trees during the term of the contract is ordinary income. Treas. Reg. §1.631-2. (Sec. 631). **Rev. Rul. 78-104, 1978-1 C.B. 194.**

Cutting contract, quantity first determined, holding period—A taxpayer who acquired timber cutting rights under a USDA Forest Service cutting contract is considered to have first definitely determined the quantity of timber cut, for the purposes of the election to treat cutting of timber as a sale or exchange, when a truck scale was made using a bureau scaler at the time the logs arrived at the taxpayer's sawmill even though a mill deck scale was made later by a Forest Service scaler. Distinguished by Rev. Rul. 73-489. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 73-267, 1973-1 C.B. 306.**

Cutting contract, quantity first determined, holding period—A fiscal-year accrual method taxpayer who acquired timber cutting rights under USDA Forest Service cutting contracts requiring that, for payment purposes, logs be scaled by a Forest Service scaler and who elects to treat the cutting of timber as a sale or exchange is considered to have cut the timber for purposes of section 631(a) when the logs are scaled on the mill deck by the Forest Service scaler in the ordinary course of business. Distinguishing Rev. Rul. 73-267. Treas. Reg. §1.631-1. **Rev. Rul. 73-489, 1973-2 C.B. 208.**

Default of performance bond—An amount received by the fee-owner of certain timber lands from the default of a cash performance bond posted by a grantee under a contract involving the cutting and disposal of timber is not an amount realized from the disposal of timber and is taxable as ordinary income. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 61-56, 1961-1 C.B. 243.**

Disposal, expenses for—Expenditures directly attributable to a disposal of timber are reductions of the amount received for purposes of computing gain or loss from such disposal. Whether expenditures are directly attributable to a disposal is determined on the strength or persuasiveness of each case and how closely related to the disposal the activities are in connection with the expenditures. Treas. Reg. §1.631-2. (Sec. 631). **Rev. Rul. 71-334, 1971-2 C.B. 248.**

Disposal, economic interest retained—In the case of the disposal of timber, held for the requisite period of time prior to disposal, by the owner thereof under any type of contract by virtue of which the owner retains an economic interest in such timber, the amount received qualifies for capital gain treatment regardless of the nature of the taxpayer's business or

the purpose for which the timber is held. (Sec. 631, 1231). **Rev. Rul. 57-90, 1957-1 C.B. 199.**

Holding period—A taxpayer who acquired timber on December 31, 1962, and still owned it at the beginning of his tax year which began July 1, 1963, has owned such timber for a period of more than 6 months before the beginning of such tax year for purposes of Section 631(a). Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 66-6, 1966-1 C.B. 160.**

Holding period—A capital asset acquired on the last day of any calendar month, regardless of whether the month has 31 days, must not be disposed of until on or after the first day of the seventh succeeding month of the calendar in order to have been "held for more than 6 months" within the meaning of Sections 1222(3) and (4), and 1231. **Rev. Rul. 66-7, 1966-1 C.B. 188.**

Long-term contract, capital gains vs. ordinary income—Under a contract for a term of 60 years granting the right to grow timber and to cut timber growing and to be grown, a paper company was obligated to make yearly payments not contingent on the quantities of timber cut. Held, the transaction is not a "disposal" of timber under Section 631(b). Payments equal to the fair market value of the timber existing at the execution of the contract are proceeds of a sale of timber and any gain included in this amount is capital gains, provided the conditions of Sections 1221 or 1231 are met. Any excess of such payments over the fair market value of the timber existing at the execution of the contract is ordinary income. Amplified by Rev. Rul. 78-267. Treas. Reg. §§1.631-1, 1.1221-1, 1.1231-1. (Secs. 631, 1221, 1231). **Rev. Rul. 62-81, 1962-1 C.B. 153.**

Long-term contract, unstated interest—The application of the unstated interest provisions to long-term timber contracts is described in situations in which the taxpayer is (1) a landowner who receives the entire consideration under the contract in a lump sum on the date the contract is signed, (2) a landowner who is to receive payments over a period of 60 years under a contract for the sale of timber and lease of the land on which the timber is growing, and (3) a paper company that makes payments under a contract similar to that in situation 2. Rev. Ruls. 62-81, 62-82 and 75-59 amplified. Treas. Reg. §§1.483-1, 1.1221-1, 1.1231-1. (Secs. 483, 1221, 1231). **Rev. Rul. 78-267, 1978-2 C.B. 171.**

Long-term lease, lump sum payment—A lump sum payment received under a contract for the lease of land and the grant of the right to cut timber therefrom constitutes proceeds of the sale of timber to the extent of fair market value of the timber then existing. The resulting gain or loss is subject to the treatment described in Sections 1221 or 1231 provided the conditions thereof are met. Any excess of such payments over the fair market value of the existing timber is ordinary income. Amplified by Rev. Rul. 78-267. Treas. Reg. §§1.631-1, 1.1221-1, 1.1231-1. (Secs. 631, 1221, 1231). **Rev. Rul. 62-82, 1962-1 C.B. 155.**

Pulpwood from tops and limbs of sawtimber trees—Treating the cutting of timber as the disposal of standing trees for capital gain purposes applies only to the disposal of standing

trees and not to the sale of tree tops and limbs lying on the ground. Income from the sale of the tree tops and limbs is ordinary gain or loss; however, the Section 631(a) benefits apply to the entire standing tree. The method of computing the fair market value of such trees is specified. (Sec. 631). **Rev. Rul. 56-434, 1956-2 C.B. 334.**

Right to cut and remove for landowner—A taxpayer who acquires by contract the right to cut, remove and sell timber from the land of another for the account of the landowner, but not the right to cut the timber for sale on his own account or for use in his trade or business, is not the holder of "a contract right to cut" for purposes of the election under Section 631(a). Also, the taxpayer is not entitled to the treatment provided by Section 631(b), relating to a disposal by the owner. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 58-579, 1958-2 C.B. 361.**

Timberland, sale of, used in trade or business—Gain realized by an electing small business corporation from the sale of timberland held primarily for the production of timber products and not for sale to customers is gain from the sale of real property used in a trade or business under Section 1231(b) of the Code, subject to the provisions of Section 1.1375-1(d) of the regulations. Treas. Reg. §§1.231-1, 1.1375-1. (Secs. 1231, 1375.) **Rev. Rul. 73-222, 1973-1 C.B. 373.**

When "cut"—For purposes of determining capital gain or loss, timber is considered "cut" at the time when in the ordinary course of business the quantity of timber felled is first definitely determined, rather than at the time of the felling. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 58-135, 1958-1 C.B. 519.**

Timberland tracts, deeds in escrow, holding period—The holding period of each of several tracts in a timber acreage purchased under a single indivisible contract with annual payments and release of deeds from escrow based on tracts selected for cutting begins on the day after the execution of the contract. Treas. Reg. §1.631-1. (Sec. 631). **Rev. Rul. 72-252, 1972-1 C.B. 193.**

Tree stumps, investment property—Income from the sale of tree stumps by a timberland owner who is not in the business of buying or selling timber is taxable as a capital gain where the land was acquired in a cutover state as a real estate investment and the stumps were sold in one lot. (Sec. 1221). **Rev. Rul. 57-9, 1957-1 C.B. 265.**

Involuntary Conversions

Casualty loss, deduction limited to basis—The allowable deduction for a casualty loss due to destruction of timber by hurricane may not exceed the adjusted basis for determining loss from the sale or other disposition of the quantity of timber which by fair and reasonable estimates is found to be unfit for use because of the hurricane. Distinguished by Rev. Rul. 87-59. Treas. Reg. §1.165-7 (Sec. 165). **Rev. Rul. 66-9, 1966-1 C.B. 39.**

Casualty loss, insect—The death of ornamental trees 5 to 10 days following a massive southern pine beetle attack in an

area not known for such massive attacks results in an allowable casualty loss deduction to the extent provided by Section 165(c). Modifies Rev. Rul. 57-599. Distinguished by Rev. Rul. 87-59. Treas. Reg. §1.165-7 (Sec. 165). Rev. Rul. 79-174, 1979-1 C.B. 99.

Casualty loss, partial damage—Ice storm damage to merchantable trees that reduces the rate of growth or quality of subsequent timber increment but does not render the existing timber unfit for use is not a deductible casualty loss. Treas. Reg. §1.165-7 (Sec. 165). Rev. Rul. 73-51, 1973-1 C.B. 75.

Casualty loss, nonrecognition of gain—The nonrecognition of gain provisions of Section 1033(a) are applicable to the proceeds received from the voluntary sale of timber downed by high winds, earthquake, or a volcanic eruption when the proceeds are used to purchase other standing timber. Rev. Rul. 72-372 revoked. Treas. Reg. §1.1033(a)-2 (Sec. 1033). Rev. Rul. 80-175, 1980-2 C.B. 230.

Losses, timber in trees killed by insects—Loss of timber over a 9-month period following an unexpected and unusual insect attack that killed the timber trees gives rise to an allowable noncasualty business loss deduction that must be netted with other noncasualty Section 1231 gains and losses. Rev. Ruls. 66-9 and 79-174 distinguished. Amplified by Rev. Rul. 90-61. Treas. Reg. §§1.165-1, 1.165-7, 1.611-3, 1.1231-1. (Secs. 165, 611, 1231). Rev. Rul. 87-59, 1987-2 C.B. 59.

Losses, seedlings killed by drought—An unusual and unexpected drought that caused the death of tree seedlings planted for the commercial production of timber gives rise to an allowable noncasualty business loss deduction that must be netted with other noncasualty Section 1231 gains and losses. Rev. Rul. 81-2 distinguished, Rev. Rul. 87-59 amplified. Treas. Reg. §§1.48-1, 1.611-3, 1.194-1, 1.1231-1. (Secs. 48, 165, 194, 611, 1231). Rev. Rul. 90-61, 1990-2 C.B. 39.

Appendix II. Index and Findings Lists

PART A: INDEX

See findings lists for court case and revenue ruling references.
"Sec." refers to section of the Internal Revenue Code
"Regs." refers to section of Internal Revenue Regulations
Relevant IRS taxpayer publications are referred to in the text.

A

Accounting Methods
Generally
Sec. 446
Rev. Rul. 76-242
Ag. Handbook
Advanced Payments, Treatment of
Regs. 1.612-3(b)
Regs. 1.631-2(d)
Rev. Rul. 77-400
Ag. Handbook
Advanced Royalties
Capital v. Expense
Rev. Rul. 77-400
Ad Valorem Taxes
See "Capital v. Expense," "Taxes,"
Agricultural Conservation Program (ACP)
Exclusion of cost-share payments
See "Cost-Sharing Payments" this Index
Allocation of Cost
See "Depletion Allowance" this Index
Allowable Basis
See "Basis, adjusted" this Index
Amortization
Reforestation expenses
See "Reforestation Expenses" this Index
Annual Growth
As factor in determining depletion
Regs. 1.611-3(c)
Belcher (1965)
Bratton
Ag. Handbook
Ownership of
Union Bag-Camp Paper Corp. (1963)
Assignment of Cutting Contract
As precluded later disposal
Pankratz
Loss deduction
J. R. Simplot Co.
Restriction of assignment effect of
Jantzer
Shaffer
Willamette Valley Lumber Co.
Attorney's Fees
See "Capital v. Expense" this Index
Audits and Appeals
Ag. Handbook

B

Basis
Adjusted
Sec. 1011
Sec. 1016
Parker Tree Farm
Ag. Handbook for allowable basis or depletion
Powe
Allocation
Reg. 1.611-3(d)(2) & (3)
Bratton
Drey (1960)
Powe
Willamette (1980)
Ag. Handbook
Carryover
Sec. 1023
Ag. Handbook
Cost
Sec. 1012
Ag. Handbook fair market value as
Sec. 631(a)
Regs. 1.631-1(d)(3) & (e)
Ag. Handbook
Depletion
See "Depletion Allowance" this Index
Full Recovery of
Robinson
Gift
Sec. 1015
Inherited
Sec. 1014
Limitation of casualty loss deduction
See "Casualty Losses" this Index
Year of Recovery
Broadhead (1966)
Block Accounting
See "Depletion Allowance" this Index
Bonus Depreciation
See "Depreciation" this Index
Bonus Payments, Treatment of
Regs. 1.612-3(a)
Regs. 1.631-2(d)(3)
Brush Control
See "Capital v. Expense" this Index
Business v. Hobby
Generally
Sec. 183
Sec. 212
Regs. 1.183-1
Clark
Clayton
St. Germain
Ag. Handbook
Guidelines for determining profit motive
Regs. 1.183-2

Business Losses

See "Losses--Business" this Index

Byproducts

See "Tops, Limbs, Chips and Stumps" and "Turpentine" this Index

C

Capital Asset

Defined

Sec. 1221

Broadhead (1972)

Everett

Forbes

Huxford

Norton

Ouderkirk

Powe

Ag. Handbook

See also "Outright Sale Capital Gain v. Ordinary Income" this Index

Ownership of effect of prior disposal

Pankratz

Capital v. Expense

Generally

Regs. 1.611-3(a)

Regs. 1.631-1(e)(2)

Regs. 1.631-2(e)(1)

Form T [ft. note 3]

Rev. Rul. 55-252

58-266

66-18

71-288

71-334

76-6

76-290

77-400

Barham

Belcher (1960)

Broadhead (1966)

Casey

Chapman & Dewey (1964)

Converse

Drey

Kinley

Maple

McMullan (1978)

McMullan (1982)

Ransburg

Regan

Robinson Land & Lumber Co.

Union Bag-Camp Paper Corp (1963)

Warner Mountains Lumber Co.

Willamette Valley Lumber Co.

Ag. Handbook

Ad Valorem taxes

Form T (Timber)

[ft. note 3]

McMullan (1978)

Union Bag-Camp Paper Corp.(1963)

Warner Mountain Lumber Co.

Willamette Valley Lumber Co.

Advanced royalties

Rev. Rul. 77-400

Attorney's fees

Anderson-Tully

McMullan (1978)

Warner Mountains Lumber Co.

Brush control

Rev. Rul. 66-18

76-290

Barham

Chapman & Dewey (1964)

Ag. Handbook

Carrying charges

See "Carrying Charges" this Index

Christmas Tree Operation

Regs. 1.611-3(a)

Rev. Rul. 66-18

71-228

Kinley

Ransburg

Ag. Handbook

Cruising expenses

See "Timber cruise expenses" this heading

Depreciation of equipment

See "Depreciation" this Index

Developmental expenses

Rev. Rul. 75-405

Maple

Wagner Mills

Direct expense of disposal

Rev. Rul. 58-266

71-334

McMullan (1978)

Union Bag-Camp Paper Corp. (1963)

Ag. Handbook

Election to capitalize

See "Option to capitalize" this heading

Farms, orchards and ranches

Rev. Rul. 75-405

Maple

Peterson

Wagner Mills

Fire prevention expenses

Rev. Rul. 66-18

Warner Mountains Lumber Co.

Ag. Handbook

Hardwood tree control

See also "Brush control" this heading

Rev. Rul. 76-290

Ag. Handbook

Interest

Form T (Timber)

[ft. note 3]

Rev. Rul. 82-78

McMullan (1982)

Warner Mountains Lumber Co.

Ag. Handbook

Land clearance expenses

Regs. 1.182-2

Regs. 1.611-3(a)

Rev. Rul. 55-252

66-18

Peterson
 Land management expenses
 McMullan (1982)
 Union Bag-Camp Paper Corp. (1963)
 Ag. Handbook
 Logging Roads
 See "Logging Roads" this Index
 Operating expenses
 McMullan (1982)
 Peterson
 Ag. Handbook
 See "Carrying Charges" this Index
 Option to capitalize
 Form T (Timber)
 [ft note 3]
 Rev. Rul. 55-252
 Maple
 Planting expenses
 Form T (Timber)
 [ft. note 3]
 Schedule E
 Regs. 1.611-3(a)
 Rev. Rul. 55-252
 75-405
 76-6
 Chapman & Dewey (1964)
 Maple
 Wagner Mills
 Ag. Handbook
 Pruning and shearing expenses
 See "Christmas trees" this Index
 Reforestation expenses
 See "Reforestation Expenses" this Index for amortization provisions
 Form T (Timber)
 [ft. note 3]
 Sch. E
 Regs. 1.611-3(a)
 Rev. Rul. 55-252
 75-467
 76-6
 76-290
 Belcher (1960)
 Chapman & Dewey (1964)
 Johnson (1991)
 Ag. Handbook
 Reimbursement under forestry incentive program
 See "Cost-Sharing Payments" this Index
 Rent
 Regs. 1.631-2(c)(1)
 Rev. Rul. 62-81
 62-82
 75-59
 Dyal
 McMullan (1978)
 Union Bag-Camp Paper Corp. (1963)
 Union Bag-Camp Paper Corp. (1966)
 Road construction costs
 See "Logging Roads" this Index
 Selling expenses
 Rev. Rul. 58-266
 71-334
 Drey (1982)
 McMullan (1978)
 Southern Pacific
 Union Bag-Camp Paper Corp. (1963)
 Warner Mountains Lumber Co.
 Wilmington Trust Co.
 Ag. Handbook
 Site preparation or improvement expenses
 Regs. 1.611-3(a)
 Form T (Timber)
 [ft. note 3]
 Schedule E
 Broadhead (1966)
 Chapman & Dewey
 Ag. Handbook
 Surveying
 Wacker
 Taxes
 See "Ad valorem taxes" this heading
 Thinning costs
 Rev. Rul. 66-18
 Barham
 Chapman & Dewey
 Ag. Handbook
 Timber cruise expenses
 Rev. Rul. 71-334
 Alabama Mineral Land Co. (1956)
 Brown (1963)
 Robinson Land & Lumber Co.
 Warner Mountains Lumber Co.
 Ag. Handbook
 Timber stand improvement
 Generally
 Ag. Handbook
 As a carrying charge
 Ag. Handbook
 See "Carrying Charges" this Index
 Capital Gains
 Generally
 Ag. Handbook
 See specific type in this Index
 Capital v. Ordinary Loss
 See "Losses" this Index
 Capitalization
 See "Capital v. Expense" this Index
 Carrying Charges
 Generally
 Sec. 266
 Regs. 1.266-1
 Parker Tree Farm
 Warner Mountains Lumber Co.
 Ag. Handbook
 See also "Timber Stand Improvement" this Index
 Case Law
 Ag. Handbook
 Casualty Losses
 Generally
 Sec. 165
 Regs. 1.165-7
 Sec. 1231
 Regs. 1.1231

Rev. Rul. 66-9
71-254
72-372
73-51
Alcoma Association
Belcher (1960)
Blomeley
Broadhead (1966)
Carloate Industries
Harper
Knapp
Krome
Miller
Nelson
Oregon Mesabi Corp.
Rosenthal
Squirt Co.
Ward
Weyerhaeuser Co.
Ag. Handbook
Basis limitation of deduction
Rev. Rul. 66-9
71-254
Alcoma Association
Belcher (1960)
Blomeley
Broadhead (1966)
Carloate Industries
Harper
Knapp
Rosenthal
Waldrup
Ward
Westvaco
Ag. Handbook
Burden of proof
Blomeley
Rosenthal
Capital gains set-off
Weyerhaeuser Co.
Drought
Rev. Rul. 81-2
Ruecker
Failure of proof
Harper
Rosenthal
Fire loss
Rev. Rul. 66-9
Belcher (1960)
Broadhead (1966)
Cooper
Oregon Mesabi Corp.
Ward
followed by insect attack and fungi damage
Oregon Mesabi Corp.
Formula for computing loss
See "Method for computing loss" this heading
Freeze loss
Rev. Rul. 66-9
71-254
Blomeley
Carloate Industries

Knapp
Squirt Co.
Fungi loss
Burns
Coleman
Maher
Martz
Oregon Mesabi Corp.
Hurricane & tornado
Rev. Rul. 66-9
72-372
80-175
Alcoma Association
Bowers
Harper
Krome
Zardo
Ice storm
Rev. Rul. 73-51
Hale
Laurie
Rosenthal
Insect
Rev. Rul. 79-174
Burns
Coleman
Cristo
McKean
Miller
Nelson
Oregon Mesabi Corp.
Waldrup
Land damage
Rev. Rul. 71-254
Broadhead (1966)
Carloate Industries
Knapp
Squirt Co.
Logging roads
Johnston
Method of computing loss
Sec. 165
Regs. 1.165-7(a)(2)(1)
Rev. Rul. 66-9
71-254
Alcoma Association
Blomeley
Bowers
Carloate Industries
Knapp
Krome
Rosenthal
Squirt Co.
Westvaco
Ag. Handbook
Nonbusiness property
Regs. 1.165-7
Austin
Bowers
Burns
Forrest
Hale

Laurie
 Maher
 Martz
 McKean
 Nelson
 Ruecker
 Waldrip
 Zardo
 Partial destruction
 Rev. Rul. 66-9
 71-254
 Alcoma Association
 Broadhead (1966)
 Harper
 Knapp
 Krome
 Rosenthal
 Westvaco
 Ag. Handbook
 Pre-1958 losses
 Weyerhaeuser Co.
 Pulpwood destroyed
 failure to prove basis
 Rosenthal
 Section 1231's effect
 Ward
 Weyerhaeuser Co.
 Ag. Handbook
 Separate treatment of land and trees
 Rev. Rul. 66-9
 71-254
 Broadhead (1966)
 Carloate Industries
 Squirt Co.
 Suddenness
 Rev. Rul. 79-174
 Austin
 Burns
 Forrest
 Miller
 Nelson
 Suffocation
 Miller
 Timber destroyed
 Belcher (1960)
 Broadhead (1966)
 Harper
 Rosenthal
 Ward
 Westvaco
 Uninsured losses
 Weyerhaeuser Co.
 Value of remaining trees undiminished
 Harper
 Year of deduction
 Oregon Mesabi Corp.
 Young growth
 no deduction allowed
 Rosenthal
 Ward
 Charitable Contribution
 Generally

Sec. 170
 Conservation easements
 Generally
 Code 170(h)
 value of retained property
 Drey (1982)
 Exchanges of timberland with state
 Rev. Rul. 76-253
 Timber for timberland
 Rev. Rul. 76-253
 77-148
 Rogers (1962)
 Zemurray
 Christmas Trees
 Generally
 Ag. Handbook
 As timber (1986 Code)
 Sec. 631(a)
 Regs. 1.631-1(b)(2)
 Regs. 1.631-2(e)(3)
 Beilke
 Schudel
 Ag. Handbook
 Not timber (1939 Code)
 Rev. Rul. 53-217
 "Choose and cut" sales
 Rev. Rul. 77-229
 Expenses in Christmas tree operation
 Regs. 1.611-3(a)
 Rev. Rul. 66-18
 71-228
 Kinley
 Ransburg
 Ag. Handbook
 Fair market value, how determined
 Schudel
 Ag. Handbook
 Shearing expenses
 Rev. Rul. 66-18
 71-228
 Kinley
 Ransburg
 Ag. Handbook
 Condemnations
 Generally
 Ag. Handbook
 Conservation Easement
 See "Charitable Contribution" this Index
 Conservation Reserve Program (CRP)
 Generally
 Ag. Handbook
 Contract Right to Cut v. Service Contract
 See "Cutting as a Sale or Exchange" this Index
 Cost-Sharing Payments
 Excluded from income
 Sec. 126
 Regs. 16A.126
 Ag. Handbook
 Recapture
 Sec. 1255
 Regs. 16A.1255
 Ag. Handbook

Taxable income when received

Rev. Rul. 76-6

Ag. Handbook

Court System

Generally

Ag. Handbook

Crop Method of Accounting

Rev. Rul. 76-242

Cruising Expenses

See "Capital v. Expense" this Index

Cut-over Land, Sale of

See "Outright sale -- Capital Gain v. Ordinary Income" this Index

Cutting as a Sale or Exchange

Generally

Sec. 631(a)

Regs. 1.631-1

Rev. Rul. 53-217

55-352

58-135

56-434

58-295

58-579

60-244

61-57

66-6

74-271

74-529

Allen Logging

Beilke

Cabax Mills

Carlen

Carpenter

Clemens

Cornish

Ellison

Gilmore

Johnson (1957)

Kelsay

Lansing

Martin Timber

Murphy

Pinkerton

Pope & Talbot

Schudel

Shaffer

Stone

Varn

Wagar Lumber Co.

Weyerhaeuser Co.

Wirkkala

Ag. Handbook

Christmas Trees

Schudel

Ag. Handbook

Contract right to cut date of acquiring

Allen Logging

Buse

Cabax Mills

Carpenter

Clemens

Kelsay

Lansing

Wagar Lumber Co.

effect of limitation on taxpayer's right to sell

Carlen

Ellison

Lansing

Shaffer

Stone

Weyerhaeuser Co.

effect of taxpayer's option to sell logs to grantor

Johnson (1957)

effect of grantor's option to purchase logs

Gilmore

Shaffer

Stone

Wirkkala

exchange of

Everett

ownership contrasted

Weyerhaeuser Co.

proprietary interest requirement

Regs. 1.631-1(b)(1)

Rev. Rul. 58-295

58-579

Carlen

Carpenter

Ellison

Gilmore

Johnson (1957)

Lansing

Shaffer

Stone

Varn

Weyerhaeuser Co.

Wirkkala

service contract distinguished

Carlen

Carpenter

Ellison

Gilmore

Johnson (1957)

Lansing

Shaffer

Stone

Wirkkala

Date of cutting

Regs. 1.631-1(a)(2)

Rev. Rul. 58-135

73-267

73-489

Election, how made

Regs. 1.631-1(c)

Beilke

Cornish

Ag. Handbook

Election by a partnership

Beilke

Cornish

Examples of how section operates

Ag. Handbook

Fair market value of timber cut

under election

as a cost of logs and timber products
 Sec. 631(a)
 Regs. 1.631-1(d)(3)
 Regs. 1.631-1(e)
 Longview Fibre
 Ag. Handbook
 how determined
 Regs. 1.611-3(f)
 Regs. 1.631-1(d)(2)
 Rev. Rul. 74-271
 Bratton
 Bridges (1979)
 Cascade Lumber Co.
 Deer Park Pine Industries
 Draper
 Ellingson
 Lysek
 Martin Timber
 Murphy
 Peek
 Polson Logging Co.
 Pope & Talbot
 Schudel
 Willamette (1980)
 Willamette (1981)
 Gain or loss, how computed
 timber cut under election
 Sec. 631(a)
 Regs. 1.631-1(d)
 Pope & Talbot
 Pope & Talbot (Ct. App.)
 Ag. Handbook timber products resulting from cutting
 Sec. 631(a)
 Regs. 1.631-1(e)
 Holding period generally
 Sec. 631(a)
 Regs. 1.631-1(a)(2)
 Regs. 1.631-1(a)(4)
 Rev. Rul. 55-352
 58-135
 61-57
 66-6
 72-252
 74-529
 Allen Logging
 Carpenter
 Clemens
 Cornish
 Kelsay
 Lansing
 Wagar Lumber Co.
 Ag. Handbook
 date of acquiring ownership/contract right to cut
 Rev. Rul. 74-529
 Allen Logging
 Barclay
 Cabax Mills
 Carpenter
 Clemens
 Giustina
 Hitchcock
 Kelsay

Lansing
 Wagar Lumber Co.
 date of cutting
 See "Date of cutting" this heading
 Proprietary interest requirement
 See "Contract right to cut" this heading
 Revocation of election, limitation on
 Sec. 631(a)
 Regs. 1.631-1(a)(3)
 Theft used as evidence of
 Watkins
 Who may make election
 Sec. 631(a)
 Regs. 1.631-1(b)(1)
 Watkins
 See also "Contract right to cut" this heading partnership
 Beilke
 Cornish
 Year of cutting
 Regs. 1.631(a)(2)
 Rev. Rul. 58-135
 Cutting Contracts
 Assignment or sale of
 Rev. Rul. 77-247
 Bridges (1979)
 Indian Creek Lumber Company
 Swartz
 J.R. Simplot Co.
 Exchange of
 Evertt
 Long-term
 See "Lease v. cutting contract" this
 Index
 Outright sale--capital gain v. ordinary income
 Indian Creek Lumber Co.
 Snider
 Valuation of
 See "Valuation" this Index

D

Damage Awards
 Severance
 Drey (1982)
 Date of Acquiring Ownership/Contract Right to Cut
 See "Ownership of Standing Timber" or "Cutting as a Sale
 or Exchange" this Index
 Date of Cutting
 See "Cutting as a Sale or Exchange" this Index
 Date of Disposal
 See "Disposal with a Retained Economic Interest" this
 Index
 Default on Performance Bond, Treatment of Amount Received
 Rev. Rul. 61-56
 Depletion Allowance
 Generally
 Sec. 611
 Sec. 612
 Regs. 1.611-1
 Regs. 1.611-3
 Regs. 1.631-1(d)
 Rev. Rul. 75-59

Ah Pah Redwood Co.
 Belcher (1960)
 Bratton
 Broadhead (1966)
 Broadhead (1972)
 Drey (1960)
 Ag. Handbook
 Aggregating timber and land for purposes of valuation and accounting
 Regs. 1.611-3(d)(1)
 Allocation of cost between timber and land
 Regs. 1.611-3(d)(2)&(3)
 Bratton
 Drey (1960)
 Willamette Industries (1980)
 Ag. Handbook
 See also "Basis, Allocation" this Index
 Apportionment of depletion deduction among owners of economic interests
 Sec. 611(b)
 Regs. 1.611-1(c) between lessor and lessee
 Sec. 611(b)(1)
 Regs. 1.611-1(c)(2) between life tenant and remainderman
 Sec. 611(b)(2)
 Regs. 1.611-1(c)(3) between trustee and income beneficiaries
 Sec. 611(b)(3)
 Regs. 1.611-1(c)(4) between estate and heirs
 Sec. 611(b)(4)
 Regs. 1.611-1(c)(5)
 Basis on which depletion allowed
 Sec. 612
 Regs. 1.612-1
 Rev. Rul. 71-354
 75-59
 76-6
 Ah Pah Redwood Co.
 Belcher (1960)
 Bratton
 Broadhead (1966)
 Broadhead (1972)
 Drey (1960)
 Wilson
 Ag. Handbook exhaustion of basis
 Robinson
 Block accounting
 Regs. 1.611-3(d)(1)
 Ag. Handbook
 Bonus and advance payments, treatment of
 Regs. 1.612-3
 Regs. 1.631-2(d)(3)
 Ag. Handbook
 Capital recoverable
 Regs. 1.611-3(a)
 Belcher (1960)
 Broadhead (1966)
 Broadhead (1972)
 Drey (1960)
 Powe
 Robinson
 Computation of depletion deduction
 Sec. 611
 Sec. 612
 Regs. 1.611-3(b)
 Ah Pah Redwood Co.
 Belcher (1960)
 Bratton
 Drey (1960)
 Ag. Handbook
 Definitions relating to timber depletion economic interest
 Regs. 1.611-1(b)
 Ag. Handbook fair market value
 Regs. 1.611-1(d)(2)
 Regs. 1.611-3(f)
 Bratton
 Cascade Lumber Co.
 Deer Park Pine Industries
 Polson Logging Co.
 Ag. Handbook property
 Regs. 1.611-1(d)(1)
 Deposit forfeiture
 Lamm Lumber Co.
 Fair market value, determination of
 See "Definitions" this heading and "Cutting as a Sale or Exchange" this Index
 revaluation not allowed
 Regs. 1.611-3(g)
 Form T (Timber)
 Regs. 1.611-3(h)
 Reprint of form
 Growth factor
 Regs. 1.611-3(e)
 Belcher (1960)
 Bratton
 Immature timber account
 Regs. 1.611-3(d)(3)
 Bratton
 Drey (1960)
 Ag. Handbook
 Information to be furnished by the taxpayer
 Regs. 1.611-3(h)
 Form T (Timber)
 Quantity of timber, determination of
 Regs. 1.611-3(e) retroactive adjustment not allowed
 Ah Pah Redwood Co. revision of estimate
 Regs. 1.611-3(e)
 Records to be filed by taxpayer
 Regs. 1.611-3(h)
 Form T (Timber) to be kept by taxpayer
 Regs. 1.611-3(c)
 Ag. Handbook
 Timber account, procedures for maintaining
 Regs. 1.611-3(d)
 Form T (Timber)
 Powe
 When depletion occurs
 Regs. 1.611-3(b)(1)
 Rev. Rul. 58-135
 Broadhead (1966)
 Broadhead (1972)
 Ag. Handbook
 Who may take depletion deduction
 Regs. 1.611-1(b)
 Georgia-Pacific (1978)

Depreciation

Generally
Sec. 48
Ag. Handbook
Additional first year depreciation
Ownership of
Union Bag-Camp Paper Corp. (1963)
LaCroix
Powars applicable only to tangible personal property
Rev. Rul. 67-51
LaCroix
Powars
Equipment
Rev. Rul. 55-252
66-18
Broadhead (1966)
Chapman & Dewey (1964)
Converse
Union Bag-Camp Paper Corp. (1963)
Western Montana Lumber Co.
Ag. Handbook
Improvements
Sec. 611
Regs. 1.611-5
Logging roads
See "Logging Roads" this Index
Direct Expense of Disposal
See "Capital v. Expense" this Index
Disposal With a Retained Economic Interest
Generally
Sec. 631(b)
Regs. 1.631-2
Rev. Rul. 58-266
57-90
58-579
61-56
62-81
62-82
75-59
75-306
77-247
Ah Pah Redwood Co.
Barclay
Belcher (1960)
Boeing (1951)
Broadhead (1966)
Brown Wood Preserving Co.
Burroughs and Collins Co.
Camp
Crosby
Dyal
Dyalwood
Emmerson
Forbes
Gammill
Gaskins
Giustina (1962)
Giustina (1967)
Godbold
Hitchcock
Huxford
Jantzer

Lawton
Lowes Lumber Co.
Pankratz
Plant
Ray
Schnitzer
Springfield Plywood Corp.
Superior Pine Products
Timber Conservation Co.
Union Bag-Camp Paper Corp (1963)
Varn
Wilson
Wineberg
Ag. Handbook
Ad valorem taxes reimbursed
Giustina (1967)
Advanced payments, treatment of
Regs. 1.631-2(d)
Goldbold
Plant
Ag. Handbook
Amount realized
Rev. Rul. 75-306
78-104
Emmerson
Basis recovery
Regs. 1.631-2
Broadhead (1966)
Bonus payments, treatment of
Regs. 1.631-2(d)(3)
Contract, necessity of
Sec. 631(b)
Regs. 1.631-2(a)(1)
Ah Pah Redwood Co.
Barclay
Belcher (1960)
Burroughs and Collins Co.
Forbes
Giustina (1962)
Hitchcock
Jantzer
Cutting rights disposal of
Rev. Rul. 77-247
Pankratz
Dyalwood retention of
Ray
Date of disposal
Sec. 631(b)
Regs. 1.631-2(b), (c)
Ah Pah Redwood Co.
Giustina (1962)
Hitchcock
Lowes Lumber Co.
Pankratz
Default on performance bond, treatment of amount
received
Rev. Rul. 61-56
Direct expense of disposal
See "Capital v. Expense" this Index
Dividend treatment excess price on disposal to related
taxpayer
Emmerson

Economic interest defined
Regs. 1.611-1(b)(1)
Indian Creek Lumber Company
Godbold
Plant
Ag. Handbook effect of escalator clause
Huxford requirement that owner retain
Sec. 631(b)
Regs. 1.631-2(a)(1)
Ah Pah Redwood Co.
Belcher (1960)
Boeing (1951)
Crosby
Dyal
Giustina (1962)
Godbold
Hitchcock
Huxford
Indian Creek Lumber Company
Jantzer
Lawton
Plant
Superior Pine Products
Union Bag-Camp Paper Corp. (1963)
Varn
Wilson
Wineberg
Ag. Handbook risk of loss
Huxford
Indian Creek Lumber Company
Effect of cutting arrangement being terminable by mutual
consent
Ah Pah Redwood Corp.
Gaskins
Wilson
Effect of timber backlog provision
Crosby
Godbold
Plant
Election to treat date of advance payment as date of
disposal Sec. 631(b)
Regs. 1.631-2(b), (c)(1)
Ag. Handbook manner of making election
Regs. 1.631-2(c)(1)
Example of how section operates
Ag. Handbook
Gain or loss, how computed
Sec. 631(b)
Regs. 1.631-2(a)(1), (2)
Rev. Rul. 71-334
Ag. Handbook
gain reduced by direct expense of disposal
Rev. Rul. 58-266
gain reduced by road credit
Rev. Rul. 75-306
Holding period
Sec. 631(b)
Regs. 1.631-2(a)&(b)
Ah Pah Redwood Co.
Barclay
Boeing (1951)
Giustina (1962)

Hitchcock
Jantzer
Pankratz
Springfield Plywood Corp.
Ag. Handbook
date of acquiring ownership
Barclay
Giustina (1962)
Hitchcock
date of disposal
See "Date of disposal" this heading
Implied promise to cut
Burroughs and Collins Co.
Lowes Lumber Co.
Lease of timberland v. disposal with retained economic
interest Regs. 1.631-2(e)(1)
Rev. Rul. 62-81
62-82
75-59
Camp
Dyal
Godbold
Lawton
Plant
Superior Pine Products
Union Bag-Camp Paper Corp. (1963)
License to cut as a disposal
Ah Pah Redwood Co.
Springfield Plywood Corp.
Oral contract as a disposal
Ah Pah Redwood Co.
Barclay
Burroughs and Collins Co.
Dyalwood
Forbes
Ordinary course of business, disposals in
Regs. 1.631-2(a)(2)
Rev. Rul. 57-90
Ah Pah Redwood Co.
Boeing
Forbes
Varn
Ag. Handbook
Owner defined
Sec. 631(b)
Regs. 1.631-2(e)(2)
Rev. Rul. 58-579
77-247
Giustina (1962)
Hitchcock
Indian Creek Lumber Company
Jantzer
Schnitzer
Union Bag-Camp Paper Corp. (1963)
Varn
Wilson
Ag. Handbook
Payment in excess of value as a taxable dividend
Emmerson
Stuchell
Pre-arranged transfer of cutting rights
Rev. Rul. 77-247

Reimbursement of ad valorem taxes
Giustina (1967)
Related business entity, disposal to
Rev. Rul. 77-247
Barclay
Belcher (1965)
Emmerson
Georgia-Pacific (1978)
Georgia-Pacific (1981)
Giustina (1962)
Hitchcock
Lowes Lumber Co.
Wilson dividend treatment of excess payments
Emmerson
Reservation of security title, effect of
Timber Conservation Co.
Retention of cutting rights, effect of
Ray
Varn
Timber defined
Brown Wood Preserving Co.
Ag. Handbook
Christmas trees are (1986 Code)
Sec. 631(a)
Regs. 1.631-1(b)(2)
Regs. 1.631-2(e)(3) tops and limbs
Rev. Rul. 56-434 turpentine is not
Brown Wood Preserving Co.
Volume cut how determined
Rev. Rul. 78-104

Drought
See "Casualty Losses," this Index

E

Economic Interest

As precluding outright sale
Forbes
Ray
See also "Disposal with a Retained Economic Interest" this Index
Elections by Taxpayer
To capitalize expenses
See "Capital v. Expense" this Index
To treat a cutting as a sale or exchange
See "Cutting as a Sale or Exchange" this Index
To treat date of advance payment as date of disposal
See "Disposal with a Retained Economic Interest" this Index

Equipment
Depreciation
See "Depreciation Deduction" this Index
Sale of
Converse

Kirby Lumber Corp. (1950)
Equitable Ownership
See "Reservation of Security Title" this Index
Evergreen Trees Defined
See "Christmas Trees, as timber" this Index

Exchanges
Like-kind
Sec. 1031

Rev. Rul. 80-175
Ag. Handbook promise of future conveyance
Starker (75)
Starker (77)
Timber for timber
Everett
Timber for timberland
Wineberg
Timberland for timberland
Rev. Rul. 76-253
Starker (75)
Starker (77)
Timberland for right to cut timber
Oregon Lumber Co.
Expense v. Capital
See "Capital v. Expense" this Index

F

Fair Market Value of Timber
See "Valuation" this Index

Farming Status

Generally
Ag. Handbook
Business losses
Regs. 1.270-1(b)(2)
Clayton
St. Germain
Clearing land
Regs. 1.182-2
Excess deductions account
Peterson
Soil and water conservation expenditures
Regs. 1.175-3
Regs. 1.175-4(a)(2)
Straughn
Ag. Handbook

Fire

Losses due to
Ag. Handbook
See also "Casualty Losses" this Index
Prevention expenses
Ag. Handbook
See "Capital v. Expense" this Index
Forest Service Timber
See "Public Timber" this Index
Forestation Expenses
See "Reforestation Expenses" this Index
Forestry Incentive Payments (FIP)
See "Cost-Sharing Payments" this Index
Forfeiture of Deposit on Timber Sale
Contracts
Lamm Lumber Co.

Forms

Form 4797
Ag. Handbook
Schedule D
Ag. Handbook
T (Timber)
Regs. 1.611-3(h)
Ag. Handbook

G

Gain or Loss

- Generally
- Sec. 1001
- Ag. Handbook
- See also "Sales, Types of" this Index
- From Sec. 126 Property
- Sec. 1255
- Regs. 16A.1255
- Ag. Handbook
- How computed
- Ag. Handbook
- When reported
- Ag. Handbook
- See also "Cutting as a Sale or Exchange" or "Disposal with Appendix IV. Forms for Recording Timber Transactions a Retained Economic Interest" this Index

Gifts, Basis of

- See "Basis" this Index

Gift to Charity

- See "Charitable Contributions" this Index

Growth, Accounting for

- Ag. Handbook
- See also "Basis" this Index

H

Hardwood Tree Control

- See "Capital v. Expense" this Index

Hobby v. Business

- See "Business v. Hobby" this Index

Hobby Expenses, How to Recover

- Ag. Handbook

Holding Period

- Generally
- Sec. 631(a)
- Sec. 631(b)
- Sec. 1231(a)
- Sec. 1231(b)
- Regs. 1.631-1(a)(2), (4)
- Regs. 1.631-1(b)(1)
- Regs. 1.631-2(a)(1)
- Regs. 1.631-2(b)
- Rev. Rul. 55-352
- 58-135
- 61-57
- 66-6
- 66-7

Ah Pah Redwood Co.

Barclay

Boeing (1951)

Bridges (1979)

Carpenter

Clemens

Cornish

Giustina (1962)

Hitchcock

Lansing

Lowe's Lumber Co.

Pankratz

Springfield Plywood Co.

Wagar Lumber Co.

Ag. Handbook

Cutting as a sale or exchange

- See "Cutting as a Sale or Exchange" this Index
- disposal with a retained economic interest

- See "Disposal with a Retained Economic Interest" this Index

outright sale

- See "Outright Sale" this Index

I

Improvements, Depreciation of

Generally

Sec. 611

Regs. 1.611-5

Ag. Handbook

Indians

Exemption from tax

Capoeman

Kirschling

Purchases from

Barclay

Hitchcock

Wagar Lumber Co.

Insurance

Proceeds from

Ag. Handbook

Installment Sales

Sec. 453

Rev. Rul. 82-78

Ag. Handbook

Interest

- See "Capital v. Expense" this Index

Inventory Method of Accounting

- See "Accounting Methods" this Index

Investment Credit

Generally

Sec. 46

Reforestation

- See "Reforestation Expenses" this Index

Logging roads

Rev. Rul. 68-281

Nonrecognition of gain

Rev. Rul. 72-372

80-175

Investment Property

Capital gains treatment

Sec. 1221

Ag. Handbook

Expenses

Ag. Handbook

Involuntary Conversions

Sec. 1033

Ag. Handbook

- See also "Casualty Losses" this Index

J

Joint Ventures

- Created by timber lease

McMullan (1982)

L

Land Clearing
 See "Capital v. Expense" and "Farming Status" this Index

Land Management Expenses
 See "Capital v. Expense" this Index

Lease v. Cutting Contract
 Generally
 Regs. 1.631-2(e)(1)
 Rev. Rul. 62-81
 62-82
 75-59
 Camp
 Dyal
 Lawton
 Superior Pine Products
 Union Bag-Camp Paper Corp. (1963)
 Union Bag-Camp Paper Corp. (1966)
 Fair market value of timber, how determined
 Bridges (1979)
 See also "Cutting as a Sale or Exchange" this Index

Interest
 Rev. Rul. 78-267

License v. Sale
 Jantzer
 Lowes Lumber Co.
 Springfield Plywood Co.

Like-Kind Exchanges
 See "Exchanges" this Index

Liquidation of Timber Holdings
 Capital Gain v. Ordinary Income
 Broadhead (1966)
 Consolidated Naval Stores Co.
 Hines
 Huxford
 Kirby Lumber Co. (1969)
 Three States Lumber Co.

Logging Roads
 Generally
 Casey
 Converse
 Regan
 Ag. Handbook
 Depreciation of
 Rev. Rul. 68-281
 88-99
 Investment credit
 Rev. Rul. 68-281
 Public timber
 Rev. Rul. 71-354
 Purchase credit
 Rev. Rul. 71-354
 75-306
 Road use fees as capital gain
 Watts as deductible expense
 Watts as ordinary income
 Wineberg

Losses
 Abandonment
 Assignment of contract
 J.R. Simplot Co.
 cutting rights

Robinson
 timber license
 Los Angeles Shipbuilding
 Business losses
 Regs. 1.270-1(b)(2)
 Clark
 St.Germain
 does not reduce Sec. 631(a)
 gain
 Foster Lumber Co. (Sup. Ct.)
 KDI Navcor
 Pope and Talbot
 Capital v. ordinary
 purchase price discount
 Smith
 transfer of contract
 J.R. Simplot Co.
 carryback of net operating losses
 Foster Lumber Co.
 KDI Navcor
 Casualty losses
 See "Casualty Losses" this Index
 Forfeiture of deposit on timber sale contract
 Lamm Lumber Co.
 Involuntary conversion
 Rev. Rul. 72-372
 Passive activity
 See "Passive Activities" this Index
 Sale to related business entity
 McGrew

M

Management Expenses
 See "Capital v. Expense - Land management expense" this Index

Material Participation
 Generally
 Ag. Handbook
 See also "Passive Activities" this Index

Minimum Tax (Alternative) on Tax Preferences
 Generally
 Secs. 55-58
 Ag. Handbook

O

Operating Expenses
 See "Capital v. Expense" this Index

Operating Losses
 See "Losses" this Index

Options
 Grantor's right of first refusal, effect of
 Gilmore
 Shaffer
 Stone
 Wirkkala
 To capitalize
 Form T (Timber)
 [ft. note 3]
 Rev. Rul. 55-252
 Ag. Handbook

To cut
Rev. Rul. 74-529
Kelsay
Ordinary Income
From sales of cut forest products
Ag. Handbook
timber
Ag. Handbook
Qualification for self-employment tax
Ag. Handbook
Outright Sale--Capital Gain v. Ordinary Income
Generally
Sec. 1221
Sec. 1231(b)(1)(B)
Regs. 1.1231-1(c)(1)
Rev. Rul. 57-9
66-7
73-222
Alabama Mineral Land Co. (1956)
Belcher (1960)
Belcher (1965)
Broadhead (1966)
Broadhead (1972)
Camp Mfg. Co.
Consolidated Naval Stores Co.
Converse
Crosby
Gammill
Huxford
Jordan
Kirby Lumber Corp. (1950)
Kirby Lumber Corp. (1969)
Malat
McMullan (1982)
Norton
Ouderkirk
Peebles
Reese
Rutland
Scott
Snider
Superior Pine Products
Tesché
Three States Lumber Co.
Willey
Wineberg
Ag. Handbook
Culled trees (tree nursery)
Tesché
Cut-over timberland
Consolidated Naval Stores Co.
Ouderkirk
Reese
Three States Lumber Co.
Cutting contracts
Snider
Norton
Disposals with a retained economic interest
See "Disposals with a Retained Economic Interest" this
Index
Economic interest, retention of precluding outright sale
Forbes

Ray
Equipment
Converse
Kirby Lumber Corp. (1950)
Factors to be considered
Forbes
Huxford
McMullan (1982)
Powe
Scott
Snider
Ag. Handbook
Holding Period
Rev. Rul. 66-7
Ag. Handbook
Liquidation of timber holdings
Broadhead (1966)
Consolidated Naval Stores Co.
Huxford
Kirby Lumber Corp. (1969)
Three States Lumber Co.
Netting of gains and and losses
Ouderkirk
Nursery stock
Tesché
"Primarily for sale" discussed
Broadhead (1966)
Broadhead (1972)
Forbes
Huxford
Powe
Scott
Snider
Ag. Handbook
Property purchased for resale
Crosby
Grammill
Snider
Property used in trade or business
Sec. 1231(b)
Norton
Ouderkirk
Sale to related business entity
Belcher (1960)
Belcher (1965)
Crosby
Stumps
Rev. Rul. 57-9
Huxford
Jordan
Timber
Belcher (1960)
Belcher (1965)
Camp. Mfg. Co.
Crosby
Gammill
Huxford
Kirby Lumber Corp. (1950)
Kirby Lumber Corp. (1969)
Peebles
Powe
Rutland

Wineberg
Timber contracts
Snider
Norton
Timberland
Rev. Rul. 73-222
Broadhead (1966)
Broadhead (1972)
Consolidated Naval Stores Co.
Kirby Lumber Corp. (1950)
Reese
Scott
Three State Lumber Co.
Owner Defined
See "Disposal with a Retained Economic Interest and
"Cutting as a Sale or Exchange" this Index
Ownership of Standing Timber
Generally
Sec. 631(b)
Regs. 1.631-2(e)(2)
Rev. Rul. 58-579
77-247
Allen Logging
Barclay
Cabax Mills
Carlen
Clemens
Gilmore
Giustina (1962)
Hitchcock
Jantzer
Lowe's Lumber Co.
Murphy
Pankratz
Union Bag-Camp Paper Corp. (1963)
Varn
Weyerhaeuser Co.
Willamette Valley Lumber Co.
Wilson
Wirkkala
See also "Contract Right to Cut" this Index
Annual growth, ownership of
Union Bag-Camp Paper Corp. (1963)
Conditional vendee as owner
Barclay
Gilmore
Giustina (1962)
Hitchcock
Willamette Valley Lumber Co.
Wilson
Date of acquiring ownership/contract right to cut
Allen Logging
Barclay
Cabax Mills
Carpenter
Clemens
Giustina (1962)
Hitchcock
Lansing
Wagar Lumber Co.
Effect of agreement to resell timber to the grantor of
timberlands

Murphy
Effect of prior disposal
Pankratz
Effect of pre-arranged transfer
Rev. Rul. 77-247
Factual question
Lowe's Lumber Co.
Local law
Allen Logging
Wilson
Proprietary interest requirement
Rev. Rul. 77-247
Varn
not necessary for "ownership" under Section 631(a)
Weyerhaeuser Co.
necessary for "ownership" under
Section 631(b)
Rev. Rul. 77-247
Schnitzer
Varn
1939 and 1986 Code provisions compared
Jantzer
Wilson

P

Partial Destruction of Timber
Salvage necessary
Ag. Handbook
See also "Casualty Losses" this Index
Partnership
Sales to partner
Hitchcock
McGrew
Passive Activities
Generally
Sec. 469
Regs. 1.469-1
1000 Friends of Oregon
Ag. Handbook
Activity defined
Ag. Handbook
Limits on deduction of losses
Ag. Handbook
Material participation
Ag. Handbook
Personal Use, Property Held for
Generally
Ag. Handbook
Plantation Account
For reforestation expenses
Ag. Handbook
See also "Depletion Allowance, immature timber account"
this Index
Planting Expenses
See "Capital v. Expense" and "Depletion Allowance" this
Index
Portfolio Income
See "Passive Activities" this Index
Preproductive Period
Generally
See "Carrying Charges" this Index

Timber Stand Improvement
See "Capital v. Expense, Timber stand improvement" this Index

Primarily for Sale, Timber Held for
See "Disposal with a Retained Economic Interest" this Index

Private Foundations
See "Taxes, Excise, private foundation" this Index

Profit, How Defined
For timber investments and businesses [need to add cases] Ag. Handbook

Property Taxes
See "Taxes, Ad Valorem" this Index

Property Used in Trade or Business
Capital gains v. ordinary income
Sec. 1231(b)
Norton
Ouderkirk
Ag. Handbook

Proprietary Interest Requirement
See "Cutting as a Sale or Exchange" this Index

Pruning and Shearing Expenses
See "Christmas trees" this Index

Public Timber
Holding period
Clemens
Purchaser credit (roads)
Rev. Rul. 71-354
75-306

Purchaser Credit (Roads)
See "Public Timber" this Index

Q

Quantity of Timber, How Determined
For depletion or allowable basis
Ag. Handbook
See also "Depletion Allowance" this Index

For cut timber subject to 631(a) election
Ag. Handbook
See also "Cutting as Sale or Exchange" this Index

R

Records
To be filed by taxpayer
Regs. 1.611-3(h)
Form T (Timber)
Ag. Handbook

To be kept by taxpayer
Regs. 1.611-3(c)

Reforestation Expenses
See also "Capital v. Expense" this Index

Amortization
Sec. 194
Reg. 1.194-1 to -4
News Release 80-130 (See Int. Rev. Bulletin)
Ag. Handbook

Investment credit
Sec. 48(a)(1)(F)
Reg. 1.48-1(b), (p)
Ag. Handbook

Recapture
Sec. 1245(b)(8)
Reg. 1.1245-4(h)
Ag. Handbook

Requirement to capitalize
Johnson (1991)
Ag. Handbook

Reimbursement
Ad valorem taxes
Giustina (1967)

Rent
See "Capital v. Expense" this Index

Replacement Property
See "Involuntary Conversions" this Index

Reservation of Security Title
Effect on "disposal"
Timber Conservation Co.
Effect on "ownership"

Barclay
Gilmore
Giustina (1962)

Hitchcock
Willamette Valley Lumber Co.
Wilson

Restriction on Right to Assign Cutting Contract, Effect of
See "Assignment of Cutting Contract, this Index

Restriction on Right to Sell
See "Cutting as a Sale or Exchange" this Index

Retained Economic Interest
See "Disposal with a Retained Economic Interest" this Index

Revocation of Section 631(a) Election
See "Cutting as a Sale or Exchange" this Index

Roads
See "Logging Roads" this Index

S

Sale v. License
Jantzer
Lowe's Lumber Co.
Springfield Plywood Corp.

Sales, Types of
Defined

Ag. Handbook
Disposal on the Stump

Ag. Handbook
See also "Outright Sale Capital Gain v. Ordinary Income" this Index

Pay-as-cut contract
Ag. Handbook

See also "Disposal With a Retained Economic Interest" this Index

Products cut from timber
Ag. Handbook

See also "Cutting as a Sale or Exchange" this Index

Salvage of Damaged Timber
Required for casualty loss determination

Ag. Handbook
See also "Casualty Losses" this Index

Scaling of Logs
See "Quantity of Timber, Determination of" this Index

Selling Expenses
See "Capital v. Expense" this Index
Self Employment, Net Earnings From
Independent contractor
Walker
Timber gain or loss
Sec. 1402(a)(3)(b)
Regs. 1.402(a)-6(a)
Ag. Handbook
Severance Damages
See "Damage Awards" this Index
Shearing of Christmas Trees
See "Christmas Trees" this Index
Site Preparation or Improvement Expenses
See "Capital v. Expense" this Index
Soil and Water Conservation Expenditures
See "Farming Status" this Index
Source of Income
Within or without the U.S., timber proceeds
Regs. 1.863-1(b)
Special Use Value
Sec. 2032A
As basis for assets
Ag. Handbook
State Timber Taxation
Property taxes
See "Taxes, Ad Valorem" this Index
Severance taxes
See "Taxes, Ad Valorem" this Index
Yield taxes
See "Taxes, Ad Valorem" this Index
Stumpage
See "Sales, Types of" this Index
Stumps, Sales of
Rev. Rul. 57-9
Jordan
See also "Tops, Limbs, Chips and Stumps" this Index

T

Taxes
Ad valorem taxes
capital v. expense
Union Bag-Camp Paper Corp. (1963)
reimbursement for
Giustina (1967)
Capital gain
Sec. 1202
Sec. 1255
Corporate
Sec. 1201
Estate taxes
See also "Estate Planning and Taxation" this Index
Excise
Private foundation
Balso Foundation
Zemurray Foundation
Gift
Kirschling
See also "Estate Planning" this Index
Alternative minimum tax
See "Minimum Tax" this Index

individuals
Sec. 55
corporations
Sec.55
Stevenson Co-Ply, Inc.
Theft
See "Losses, Theft" this Index
Thinning Expenses
See "Capital v. expenses thinning" this Index
Timber Accounts, Procedures for Maintaining
Regs. 1.611-3(d)
Form T (Timber)
Ag. Handbook
See also "Records" this Index
Timber, Defined
Christmas tree as
Ag. Handbook
See also "Christmas trees" this Index
Other products as
Ag. Handbook
See also "Tops, Limbs, Chips and Stumps" this Index
Timber Cruise Expenses
See "Capital v. Expense" this Index
Timber Stand Improvement (TSI)
Generally
Ag. Handbook
See also "Capital v. Expense, Timber stand improvement"
and "Carrying Charges" this Index
Tops, Limbs, Chips and Stumps
Regs. 1.631-2(e)(3)
Rev. Rul. 56-434
Ag. Handbook
Travel Expenses
Deduction of
Ag. Handbook
Tree Farming
See "Business v. Hobby" and "Farming Status" this Index
Turpentine
Not timber
Brown Wood Preserving Co.

U

Unrelated Business Income of Exempt Organization, Timber
Proceeds as
Sec. 512(b)(5)
Regs. 1.512(b)-1(d)

Y

Young Growth
Account
Ag. Handbook
See also "Depletion Allowance" this Index
Losses of
Ag. Handbook
See also "Casualty Losses, Premerchantable timber" this
Index

V

Valuation
Fair market value of nonbusiness property

Cristo
Hale
Zardo
Fair market value of stock
restricted
Brownell
Fair market value of timber
defined
Regs. 1.611-1(d)(2)
Regs. 1.611-3(f)
Regs. 1.631-1(d)(2)
Bratton
Cascade Lumber Co.
Deer Park Pine Industries
Martin Timber
Polson Logging Co.
Willamette (1981)
Ag. Handbook
how determined
Regs. 1.611-3(f)
Regs. 1.631-1(d)(2)
Bratton
Bridges (1969)
Cascade Lumber Co.
Deer Park Pine Industries
Draper
Ellingson
Lysek
Murphy
Peek
Polson & Logging Co.
Pope & Talbot
Rogers (1983)
Schudel
Stuchell
Willamette Industries (1979)
Willamette Industries (1980)
Willamette Industries (1981)
Fair market value of timberland
how determined
Rev. Proc. 79-24 (See Int. Rev. Bulletin)
Drey(1982)
Hipp
Taylor, Exr.

Part B: Findings Lists

COURT CASES

Ah Pah Redwood Company v. Commissioner

26 T.C. 1197, Tax Ct. Rep. (CCH) 21,952, (P-H) ¶¶26.149
(1956)
251 F.2d 163, 58-1 USTC ¶9153, 1 AFTR2d 456 (9th Cir.
1957) (rev'g in part and rem'g)
18 T.C.M. 202, Tax Ct. Mem. Dec. (CCH) 23,486(M), (P-H)
¶59,044 (on rem'd)

Alabama Mineral Land Company (1939 Code)

15 T.C.M. 124, Tax Ct. Mem. Dec. (CCH) 21,557(M), (P-H)
¶56,026 (1956)
250 F.2d 870, 58-1 USTC ¶9162, 1 AFTR2d 468 (5th Cir.
1957) (rev'g in part and rem'g)

Alcoma Assoc. Inc. v. United States

56-2 USTC ¶9612, 51 AFTR 1037 (S.D. Fla. 1956)
239 F.2d 365, 57-1 USTC ¶9203, 50 AFTR 1172 (5th Cir.
1956) (rev'g)

Allen Logging & Veneer Co. v. United States

73-2 USTJ ¶9691, 32 AFTR2d 73-5310 (W.D. Wash. 1973)

Anderson-Tully Company and Subsidiary v. Commissioner

Tax Ct. Mem. Dec. (CCH) 41,314(M), (P-H) ¶84,338 (1984)

Austin v. Commissioner

Tax Ct. Rep. (CCH) 37,258, (P-H) ¶74.98(1980)

Barclay v. United States

333 F.2d 847, 166 Ct. Cl. 421, 64-2 USTC ¶9547,
13 AFTR2d 1706 (1964)

Barham v. United States

301 F. Supp. 43, 69-1 USTC ¶9356, 23 AFTR2d 1347 (C.D.
Ga. 1969)
429 F.2d 40, 70-2 USTC ¶9522, 26 AFTR2d 70-5173
(5th Cir. 1970) (aff'g per curiam)

Bellike v. Commissioner

22 T.C.M. 13, Tax Ct. Mem. Dec. (CCH) 25,906(M), (P-H)
¶63,005 (1963)

Belcher v. Commissioner

24 T.C.M. 1, Tax Ct. Mem. Dec.(CCH) 27,199(M), (P-H)
¶65,001 (1965)

Belcher v. Patterson

60-2 USTC ¶9733, 6 AFTR2d 5697 (N.D. Ala. 1960)
302 F.2d 289, 62-1 USTC ¶9426, 9 AFTR2d 1316 (5th Cir.
1962) (rev'g and aff'g)
305 F.2d 557, 62-2 USTC ¶9585, 10 AFTR2d 5067 (5th Cir.
1962) (denying reh'g)
371 U.S. 921, 83 S.Ct. 289, 9 L.Ed.2d 230 (1962) (denying
cert.)
63-2 USTC ¶9678, 12 AFTR2d 5179 (N.D. Ala. 1963)
(rem'g sub. nom. Abernathy v. Patterson)

Blomeley v. Commissioner

23 T.C.M. 514, Tax Ct. Mem. Dec.(CCH) 26,724(M), (P-H)
¶64,084 (1964)

Boeing v. United States

98 F.Supp. 581, 121 Ct. Cl. 9, 51-2 USTC ¶9411, 40 AFTR
1104 (1951)

Bowers v. Commissioner

Tax Ct. Mem. Dec. (CCH) 38,422(M), (P-H) ¶81,658 (1981)

Bratton v. Rountree

37 AFTR2d 76-762 (C.D. Tenn.1976)

Bridges v. United States

70-1 USTC ¶12,663, 25 AFTR2d 70-1495 (M.D. Fla. 1969)

Bridges v. Commissioner

64 T.C. 968, Tax Ct. Rep. (CCH) 33,401, (P-H) ¶64.92
(1975), acq. 1976-2 C.B. 1

- Bridges v. Commissioner**
38 T.C.M. 1126, Tax Ct. Mem. Dec. (CCH) 36,208(M), (P-H) ¶79,290 (1979)
- Broadhead, Estate of v. Commissioner**
25 T.C.M. 133, Tax Ct. Mem. Dec.(CCH) 27,834(M), (P-H) ¶66,026 (1966)
391 F.2d 841, 68-1 USTC ¶9249, 21 AFTR2d 851 (5th Cir. 1968) (aff'g)
- Broadhead, Estate of v. Commissioner**
31 T.C.M. 951, Tax Ct. Mem. Dec.(CCH) 31,531(M), (P-H) ¶72,195 (1972)
32 T.C.M. 1047, Tax Ct. Mem. Dec. (CCH) 32,170(M), (P-H) ¶73,222 (1973)
- Brown v. Commissioner**
40 T.C. 861, Tax Ct. Rep. (CCH) 26,260, (P-H) ¶40.92 (1963)
- Brown Wood Preserving Co. v. United States**
58-2 USTC ¶9604, 2 AFTR2d 5013 (W.D. Ky. 1958)
275 F.2d 525, 60-1 USTC ¶9316, 5 AFTR2d 953 (6th Cir. 1960) (rev'g and rem'g)
- Brownell, Est. of v. Commissioner**
44 T.C.M. 1550, Tax Ct. Mem. Dec. (CCH) 39,459(M), (P-H) ¶82,632 (1982)
- Burns v. United States**
174 F. Supp. 203, 59-2 USTC ¶9514, 3 AFTR2d 1520 (N.D. Ohio 1959)
284 F.2d 436, 61-1 USTC ¶9127, 6 AFTR2d 6036 (6th Cir. 1960)
- Burroughs & Collins Co. v. United States**
68-1 USTC ¶9389, 21 AFTR2d 1423 (D.S.C. 1968)
- Buse v. Commissioner**
71 T.C. 1129, Tax Ct. Rep. (CCH) 35,966, (P-H)¶71.99 (1979), acq. 1980-1 C.B. 1
- Cabax Mills v. Commissioner**
59 T.C. 401, Tax Ct. Rep. (CCH) 31,631, (P-H) ¶59.38 (1972), acq. 1973-2 C.B. 1
- Camp v. United States**
74-2 USTC ¶¶9596, 9597, 9598, 34 AFTR2d 74-5575, 74-5573, 74-5571 (C.D. Fla. 1974)
- Camp Manufacturing Co. v. Commissioner**
3 T.C. 467 (1944), acq. 1944 C.B. 4
- Capoeman v. United States**
110 F. Supp. 924, 53-1 USTC ¶9119, 43 AFTR 606 (W.D. Wash. 1952)
220 F.2d 349, 55-1 USTC ¶9295, 47 AFTR 329 (9th Cir. 1955) (aff'g per curiam)
351 U.S. 1, 76 S. Ct. 611, 100 L. Ed. 883, 56-1 USTC ¶9474, 49 AFTR 178 (1956), 1956-1 C.B. 605 (aff'g)
- Carlen v. Commissioner**
20 T.C. 573, Tax Ct. Rep. (CCH) 19,708, (P-H) ¶20.77 (1953)
220 F.2d 338, 55-1 USTC ¶9296, 47 AFTR 322 (9th Cir. 1955) (aff'g)
- Carloate Industries, Inc. v. United States**
230 F. Supp. 282, 64-2 USTC ¶9564, 14 AFTR2d 5327 (S.D. Tex. 1964)
354 F.2d 814, 66-1 USTC ¶9159, 17 AFTR2d 059 (5th Cir. 1966) (rev'g and rem'g in part, aff'g in part)
- Carpenter v. Commissioner**
36 T.C. 797, Tax Ct. Rep. (CCH) 24,960, (P-H) ¶36.79 (1961), acq. 1962-1 C.B. 3
- Cascade Lumber Co. v. Squire**
57-2 USTC ¶9841, 52 AFTR 1290 (W.D. Wash. 1957)
- Casey v. United States**
459 F.2d 495, 198_ Ct.Cl. 232, 72-1 USTC ¶9419, 29 AFTR2d 72-1089 (1972)
- Chapman & Dewey Lumber Co. v. United States**
238 F. Supp. 869, 65-1 USTC ¶9129, 15 AFTR2d 070 (W.D. Tenn. 1964)
359 F.2d 495, 66-1 USTC ¶9385, 17 AFTR2d 899 (6th Cir. 1966) (vac'g and rem'g per curiam)
- Clark v. Commissioner**
28 T.C.M. 1260, Tax Ct. Mem. Dec.(CCH) 29,831(M), (P-H) ¶69,241(1969)
- Clayton v. Commissioner**
65 T.C.M. 2371, Tax Ct. Mem. Dec. (CCH) 48,978(M), Apr. 1993
- Clemens v. United States**
295 F.Supp. 1339, 68-2 USTC ¶9620, 23 AFTR2d 69-326 (D. Or. 1968)
439 F.2d 705, 71-1 USTC ¶9258, 27 AFTR2d 71-834 (9th Cir. 1971) (aff'g)
- Coleman v. Commissioner**
76 T.C. 580, Tax Ct. Rep. (CCH) 37,815, (P-H) ¶76.49 (1981), app., 9-24-81 (6th Cir.)
- Consolidated Naval Stores Co. v. Fahs**
54-2 USTC ¶9456, 48 AFTR 1233 (S.D. Fla. 1954)
227 F.2d 923, 56-1 USTC ¶9132, 48 AFTR 717 (5th Cir. 1955) (rev'g)
- Converse v. Earle**
51-2 USTC ¶9430, 43 AFTR 1308 (D. Or. 1951)
- Cooper v. Commissioner**
42 T.C.M. 418, Tax Ct. Mem. Dec.8,064(M), (P-H) ¶81,369 (1981) (app'l dismissed, 7th Cir.)

Cornish v. United States

221 F.Supp. 658, 63-2 USTC ¶9662, 12 AFTR2d 5526 (D. Or. 1963)
348 F.2d 175, 65-2 USTC ¶9508, 16 AFTR2d 5022 (9th Cir. 1965) (rev'g on other grounds and rem'g)

Cristo v. Commissioner

44 T.C.M. 1057, Tax Ct. Mem. Dec. (CCH) 39,326(M), (P-H) ¶82,514 (1982)

Crosby v. United States

292 F.Supp. 314, 68-2 USTC ¶9571, 22 AFTR2d 5554 (S.D. Miss. 1968)
414 F.2d 822, 69-2 USTC ¶9514, 24 AFTR2d 69-5098 (5th Cir. 1969) (aff'g)

Deer Park Pine Industry, Inc. v. Squire

60-2 USTC ¶9608, 6 AFTR2d 5349,5899 (W.D. Wash. 1960)

Draper v. United States

60-1 USTC ¶9284, 5 AFTR2d 842 (E.D. Wash. 1960)

Drey v. United States

61-1 USTC ¶9116, 7 AFTR2d 333 (E.D. Mo. 1960)

Drey v. United States

535 F.Supp. 287, 82-2 USTC ¶9422, 49 AFTR2d 82-1386 (E.D. Mo. 1982)
705 F.2d 965, 83-1 USTC ¶9219, 51 AFTR2d 83-769 (8th Cir. 1983), (aff'g), (Cert. denied 10-3-83)

Dyal v. United States

64-1 USTC ¶9196, 13 AFTR2d 446 (S.D. Ga. 1963)
342 F.2d 248, 65-1 USTC ¶9285, 15 AFTR2d 490 (5th Cir. 1965) (rev'g and rem'g in part, aff'g in part)

Dyalwood, Inc. v. United States

588 F.2d 467, 79-1 USTC ¶9172, 43 AFTR2d 79-571 (5th Cir. 1979) (aff'g unreported, 5th Cir.)

Ellingson Timber Co. v. Commissioner

36 T.C.M. 809, Tax Ct. Mem. Dec. (CCH) 34,478(M), (P-H) ¶77,197 (1977)

Ellison v. Frank

56-2 USTC ¶9760, ¶9763, 51 AFTR 1423 (W.D. Wash. 1956)
245 F.2d 837, 57-2 USTC ¶9748, 51 AFTR 807 (9th Cir. 1957) (aff'g)

Emmerson v. Commissioner

44 T.C. 86, Tax Ct. Rep. Dec. (CCH) 27,352, (P-H) ¶44.8 (1965)

Everett v. Commissioner

37 T.C.M. 274, Tax Ct. Mem. Dec. (CCH) 34,969(M), (P-H) ¶78,053 (1978)

Forbes v. United States

75-1 USTC ¶9126, 35 AFTR2d 75-448 (E.D. Tenn. 1974)

Forrest v. Commissioner

45 T.C.M. 1156, Tax Ct. Mem. Dec. (CCH) 40,006(M), (P-H) ¶83,177 (1983)

Foster Lumber Co. v. United States

500 F.2d 1230, 74-2 USTC ¶9611, 34 AFTR2d 74-5584 (8th Cir. 1974)
429 U.S. 32, 97 S.Ct. 204, 50 L.Ed.2d 199, 76-2 USTC ¶9740, 38 AFTR2d 76-6024 (1976), 1976-2 C.B. 72 (rev'g)

Gammill v. Commissioner

62 T.C. 607, Tax Ct. Rep. (CCH) 32,722, (P-H) 62.60 (1974)

Gaskins v. United States

67-2 USTC ¶9662, 20 AFTR2d 5144 (C.D. Ga. 1966)
381 F.2d 729, 67-2 USTC ¶9663, 20 AFTR2d 5577 (5th Cir. 1967) (aff'g per curiam)

Georgia-Pacific Corp. v. United States

78-2 USTC ¶9811, 43 AFTR2d 79-337 (D. Or. 1978)
648 F.2d 653, 81-2 USTC ¶9515, 48 AFTR2d 81-5484 (9th Cir. 1981) (aff'g)

Gilmore v. United States

180 F. Supp. 354, 149 Ct. Cl. 54, 60-1 USTC ¶9259, 5 AFTR2d 685 (1960)

Giustina v. United States

190 F.Supp. 303, 61-1 USTC ¶9169, 7 AFTR2d 381 (D. Or. 1960)
313 F.2d 710, 63-1 USTC ¶9145, 11 AFTR2d 307 (9th Cir. 1962) (vac'g and rem'g, aff'g in part)

Giustina v. United States

267 F.Supp. 40, 67-1 USTC ¶9313, 19 AFTR2d 1013 (D. Or. 1967)

Godbold v. Commissioner

82 T.C. 73, Tax Ct. Rep. (CCH) 40,918, (P-H) ¶82.7 (1984)

Hale v. Commissioner

44 T.C.M. 1117, Tax Ct. Mem. Dec. (CCH) 39,339(M), (P-H) ¶82,527 (1982)

Harper v. United States

274 F. Supp. 809, 67-2 USTC ¶9712, 20 AFTR2d 5777 (D. S.C. 1967)
396 F.2d 223, 68-2 USTC ¶9441, 21 AFTR2d 1417 (4th Cir. 1968)

Hines v. United States

344 F. Supp. 1259, 72-2 USTC ¶9511, 30 AFTR2d 72-5037 (N.D. Miss. 1972)
477 F.2d 1063, 73-1 USTC ¶9403, 31 AFTR2d 73-1215 (5th Cir. 1973) (rev'g)

Hitchcock v. Frank

63-1 USTC ¶9497, 11 AFTR2d 1703 (W.D. Wash. 1963)

- Huxford v. United States**
299 F. Supp. 218, 69-2 USTC ¶9439, 23 AFTR2d 69-1339 (N.D. Fla. 1969)
441 F.2d 1371, 71-1 USTC ¶9379, 27 AFTR2d 71-1298 (5th Cir. 1971) (aff'g)
- Indian Creek Lumber Co. v. Commissioner**
43 T.C.M. 841, Tax Ct. Mem. Dec. (CCH) 38,877(M), (P-H) ¶82,146 (1982)
- Jantzer v. Commissioner**
32 T.C. 161, Tax Ct. Rep. (CCH) 23,549, (P-H) ¶32.13 (1959)
284 F.2d 348, 60-2 USTC ¶9802, 6 AFTR2d 5882 (9th Cir. 1960) (aff'g)
- Johnson v. United States**
57-2 USTC ¶9848, 52 AFTR 1484 (W.D. Wash. 1957)
257 F.2d 530, 58-2 USTC ¶9725, 2 AFTR2d 5376 (9th Cir. 1958) (aff'g)
- Johnson v. Commissioner**
62 T.C.M. 46, Tax Ct. Mem. Dec. (CCH) 47,441(M) (1991)
- Johnston v. Commissioner**
41 T.C.M. 258, Tax Ct. Mem. Dec. (CCH) 37,361(M),(P-H) ¶80,477 (1980)
51 AFTR2d 83-313 (9th Cir.) (aff'g)
- Jordan v. United States**
62-1 USTC ¶9370, 9 AFTR2d 1359 (S.D. Ala. 1962)
- KDI Navcor, Inc. v. Commissioner**
35 T.C.M. 341, Tax Ct. Mem. Dec. (CCH) 33,711(M), (P-H) ¶76,077 (1976)
- Kelsay v. Commissioner**
31 T.C.M. 1232, Tax Ct. Mem. Dec. (CCH) 31,642(M), (P-H) ¶72,249 (1972)
- Kinley v. Commissioner**
51 T.C. 1000, Tax Ct. Rep. (CCH) 29,503, (P-H) ¶51.102 (1969), acq. 1971-2 C.B. 3
70-2 USTC ¶9462, 26 AFTR2d 70-5127 (2d Cir. 1970) (aff'g)
- Kirby Lumber Corp. v. Phinney**
68-2 USTC ¶9446, 22 AFTR2d 5069 (W.D. Tex. 1968)
412 F.2d 598, 69-1 USTC ¶9429, 23 AFTR2d 69-1528 (5th Cir. 1969) (aff'g)
- Kirby Lumber Corp. v. Scofield**
89 F. Supp. 102, 50-1 USTC ¶9176, 39 AFTR 240 (W.D. Tex. 1950)
- Kirschling v. United States**
82-1 USTC ¶13,443, 49 AFTR2d 82-1455 (W.D. Wash. 1981)
- Knapp v. Commissioner**
23 T.C. 716, Tax Ct. Rep. (CCH) 20,832, (P-H) ¶23.93 (1955), acq. 1966-1 C.B. 2
- Krome v. Commissioner**
9 T.C.M. 178, Tax Ct. Mem. Dec. (CCH) 17,543(M), (P-H) ¶50,064 (1950)
- LaCroix v. Commissioner**
61 T.C. 471, Tax Ct. Rep. (CCH) 32,416, (P-H) ¶61.53 (1974)
- Lamm Lumber Co. v. Commissioner**
45 B.T.A. 1 (1941), acq. 1942-1 C.B.10, nonacq. 1942-1 C.B. 25
133 F.2d 433, 43-1 USTC ¶9286, 30 AFTR 918 (9th Cir. 1943) (aff'g)
- Lansing v. Commissioner**
23 T.C.M. 498, Tax Ct. Mem. Dec. (CCH) 26,721(M), (P-H) ¶64,082 (1964)
- Laurie v. Commissioner**
41 T.C.M. 1482, Tax Ct. Mem. Dec. (CCH) 37,904(M), (P-H) ¶81,239 (1981)
- Lawton, Estate of v. Commissioner**
33 T.C. 47, Tax Ct. Rep. (CCH) 23,795, (P-H) ¶33.6 (1959)
- Longview Fibre v. Commissioner**
71 T.C. 357, Tax Ct. Rep. (CCH) 35,570, (P-H) ¶71.33 (1978)
- Los Angeles Shipbuilding & Drydock Corp. v. United States**
166 F. Supp. 914, 58-2 USTC ¶9893, 2 AFTR2d 6068 (S.D. Cal. 1958)
289 F.2d 222, 61-1 USTC ¶9329, 7 AFTR2d 984 (9th Cir. 1961) (vac'g on other grounds and rem'g)
- A.F. Lowes Lumber Co. v. Commissioner**
19 T.C.M. 727, Tax Ct. Mem. Dec.(CCH) 24,268(M), (P-H) ¶60,141 (1960)
- Lysek v. Commissioner**
34 T.C.M. 1267, Tax Ct. Mem. Dec. (CCH) 33,431(M), (P-H) ¶75,293 (1975)
583 F.2d 1088, 78-2 USTC ¶9792 (9th Cir. 1978)(aff'g)
- Maher v. Commissioner**
76 T.C. 593, Tax Ct. Rep. (CCH) 37,816, (P-H) ¶76.50 (1981)
680 F.2d 91, 82-2 USTC ¶9460, 50 AFTR2d 82-5290 (11th Cir. 1982) (aff'g)
- Malat v. Riddell**
64-1 USTC ¶9432, 13 AFTR2d 1348 (S.D. Cal. 1964)
347 F.2d 23, 65-2 USTC ¶9452, 15 AFTR2d 1121 (9th Cir. 1965) (aff'g)
383 U.S. 569, 86 S. Ct. 1030, 16 L. Ed. 2d 102, 1966-1 C.B. 184, 66-1 USTC ¶9317, 17 AFTR2d 604 (1966) (vac'g and rem'g)
275 F. Supp. 358, 66-2 USTC ¶9564, 18 AFTR2d 5015 (S.D. Cal. 1966) (on remand)

Maple v. Commissioner

27 T.C.M. 944, Tax Ct. Mem. Dec.(CCH) 29,115(M), (P-H)
¶68,194 (1968)
440 F.2d 1055, 71-1 USTC ¶9348,27 AFTR2d 71-1144
(9th Cir. 1971) (aff'g)

Martin Timber Co. v. Commissioner

31 T.C.M. 1266, Tax Ct. Mem.Dec. (CCH) 31,650(M), (P-H)
¶72,255 (1972)

Martz v. Commissioner

41 T.C.M. 1236, Tax Ct. Mem. Dec. (CCH) 37,818(M),(P-H)
¶81,168 (1981)

McGrew v. Commissioner

24 T.C.M. 1391, Tax Ct. Mem.Dec. (CCH) 27,567(M), (P-H)
¶65,256 (1965)

McKean v. Commissioner

42 T.C.M. 1709, Tax Ct. Mem. Dec. (CCH) 38,441(M),(P-H)
¶81,670 (1981)

McMullan v. United States

78-2 USTC ¶9656, 42 AFTR2d 78-5723 (1978)

McMullan v. United States

686 F.2d 915, 82-2 USTC ¶¶9539, 13,483, 50 AFTR2d
82-5494, 82-6199 (Ct. Cl. 1982)

Miller v. Commissioner

29 T.C.M. 741, Tax Ct. Mem. Dec.(CCH) 30,196(M), (P-H)
¶70,167(1970)

Murphy v. United States

60-1 USTC ¶¶9275, 9246, 5 AFTR2d 784 (W.D. Wash.
1960)

Nelson v. Commissioner

27 T.C.M. 158, Tax Ct. Mem. Dec.(CCH) 28,861(M), (P-H)
¶68,035 (1968)

Norton v. United States

551 F.2d 821, 213 Ct. Cl. 215, 77-1 USTC ¶9296,
39 AFTR2d 77-1000 (1977)
43 U.S. 831, 98 S.Ct. 115, 54 L. Ed.2d 91 (1977)(denying
cert.)

1000 Friends of Oregon v. McPherson

89-1 USTC 9217, 63 AFTR2d 89-563 (D. Oreg. 1988)

Oregon Lumber Co. v. Commissioner

20 T.C. 192, Tax Ct. Rep. (CCH) 19,614, (P-H) ¶20.23
(1953), acq. 1953-2 C.B. 5

Oregon Mesabi Corp. v. Commissioner

2 T.C.M. 475, Tax Ct. Mem. Dec. (CCH) 13,385(M), (P-H)
¶43,356(1943)

Ouderkirk v. Commissioner

36 T.C.M. 526, Tax Ct. Mem. Dec. (CCH) 34,376(M), (P-H)
¶77,120 (1977)

Pankratz v. Commissioner

22 T.C. 1298, Tax Ct. Rep. (CCH) 20,579, (P-H) ¶22.162
(1954)

Peebles v. Commissioner

5 T.C. 14 (1945), acq. 1945 C.B. 6

Peek v. Commissioner

45 T.C.M. 1382, Tax Ct. Mem. Dec. (CCH) 40,063(M)

Peterson v. Commissioner

29 T.C.M. 802, Tax Ct. Mem. Dec. (CCH) 30,217(M), (P-H)
¶70,181 (1970)

Pinkerton v. Commissioner

28 T.C. 910, Tax Ct. Rep. (CCH) 22,496, (P-H) ¶28.101
(1957), acq. 1958-1 C.B. 5

Plant v. United States

81-2 USTC ¶9661, 48 AFTR2d 81-5936 (N.D. Ala. 1981)
682 F.2d 914, 82-2 USTC ¶9522, 50 AFTR2d 82-5505,
(11 Cir. 1982) (aff'g) (Cert. den'y 4-18-83)

Poison Logging Co. v. Commissioner

12 T.C.M. 664, Tax Ct. Mem. Dec.(CCH) 19,733(M), (P-H)
¶53,208 (1953)

Pope & Talbot, Inc. v. Commissioner

60 T.C. 74, Tax Ct. Rep. (CCH) 31,924, (P-H) ¶60.9 (1973)
515 F.2d 155, 75-1 USTC ¶9424, 35 AFTR2d 75-1378
(9th Cir. 1975) (aff'g per curiam)

Powars v. United States

285 F.Supp. 72, 68-2 USTC ¶9562, 22 AFTR2d 5666 (C.D.
Cal. 1968)

Powe v. Commissioner

44 T.C.M. 933, Tax Ct. Mem. Dec. (CCH) 39,293(M),(P-H)
¶82,488

Ransburg v. United States

281 F.Supp. 324, 67-2 USTC ¶9672, 21 AFTR2d 560 (S.D.
Ind. 1967)

Ray v. Commissioner

32 T.C. 1244, Tax Ct. Rep. Dec. 23,762, (P-H) ¶32.121
(1959)
283 F.2d 337, 60-2 USTC ¶9739, 6 AFTR2d 5696 (5th Cir.
1960) (aff'g per curiam)

Reese v. Commissioner

13 T.C.M. 823, Tax Ct. Mem. Dec. (CCH) 20,518(M), (P-H)
¶54,134 (1954)

Regan v. United States

67-2 USTC ¶9728, 20 AFTR2d 5759 (D. Or. 1967)
410 F.2d 744, 69-1 USTC ¶9369, 23 AFTR2d 69-1460
(9th Cir. 1969) (rev'g)
396 U.S. 834, 90 S.Ct. 91, 24 L.Ed.2d 85 (1969) (denying
cert.)

- Robinson v. Commissioner**
12 T.C. 246 (1949)
181 F.2d 17, 50-1 USTJ ¶9269, 39 AFTR 197 (5th Cir. 1950) (aff'g)
- Robinson Land & Lumber Co. v. United States**
112 F.Supp. 33, 53-1 USTC ¶9364, 43 AFTR 1012 (S.D. Ala. 1953)
- Rogers v. Commissioner**
38 T.C. 785, Tax Ct. Rep. (CCH) 25,638, (P-H) ¶38.78 (1962), nonacq. 1963-2 C.B. 6
- Rogers v. Commissioner**
46 T.C.M. 789, Tax Ct. Mem. Dec. (CCH) 40,290(M), (P-H) ¶83,420 (1983)
- Rosenthal v. Commissioner**
4 TTJ 167, digest 11 TTJ 156, 48 T.C. 515, Tax Ct. Rep. (CCH) 28,533, (P-H) ¶48.50 (1967)
6 TTJ 201, digest 11 TTJ 156, 416 F.2d 491, 69-1 USTC ¶9430, 23 AFTR2d 69-1496 (2d Cir. 1969) (aff'g)
- Ruecker v. Commissioner**
41 T.C.M. 1587, Tax Ct. Mem. Dec. (CCH) 37,931(M), (P-H) ¶81,257 (1981)
- Rutland v. Tomlinson**
63-1 USTC ¶9173, 11 AFTR2d 500 (C.D. Fla. 1962)
327 F.2d 668, 64-1 USTC ¶9267, 13 AFTR2d 744 (5th Cir. 1964) (aff'g per curiam)
- St.Germain v. Commissioner**
18 T.C.M. 355, Tax Ct. Mem. Dec.(CCH) 23,547(M), (P-H) ¶59,073 (1959)
- Schnitzer v. Unites States**
69-1 USTC ¶9160, 22 AFTR2d 5972 (D. Or. 1968)
- Schudel v. Commissioner**
33 T.C.M. 1155, Tax Ct. Mem. Dec. (CCH) 32,799(M), (P-H) ¶74,262(1974)
563 F.2d 1300, 77-2 USTC ¶9746, 40 AFTR2d 77-6139 (9th Cir. 1977) (rev'g and rem'g)
- Scott v. United States**
305 F.2d 460, 158 Ct. Cl. 434, 62-2 USTC ¶9617, 10 AFTR2d 5173(1962)
- Shaffer v. Commissioner**
19 T.C.M. 978, Tax Ct. Dec. (CCH) 24,339(M), (P-H) ¶60,185 (1960)
- Sherrod v. Commissioner**
82 T.C. 523, Tax Ct. Rep. (CCH) 41,084, (P-H) ¶82.40 (1984)
- J. R. Simplot Co. v. Commissioner**
26 T.C.M. 488, Tax Ct. Mem. Dec.(CCH)28,458(M), (P-H) ¶67,104 (1967)
- Smith v. Commissioner**
48 T.C. 872, Tax Ct. Rep. (CCH) 28,605, (P-H) ¶48.83 (1967)
11 TTJ 129, 424 F.2d 219, 70-1 USTC ¶9327, 25 AFTR2d 70-936 (9th Cir. 1970) (aff'g in part and rev'g)
- Smithgall v. United States**
81-1 USTC ¶9121, 47 AFTR2d 81-695 (N.D. Ga. 1980) (app'l not auth (G))
- Snider v. Commissioner**
34 T.C.M. 530, Tax Ct. Mem. Dec. (CCH) 33,156(M), (P-H) ¶75,111(1975)
- Southern Pacific Transportation Co. v. Commissioner**
75 T.C. 497, Tax Ct. Rep. (CCH) 37,600, (P-H) 75.44 (1980)
- Springfield Plywood Corp. v. Commissioner**
15 T.C. 697, Tax Ct. Rep. (CCH) 17,946, (P-H) ¶15.91 (1950)
- Squirt Co. v. Commissioner**
51 T.C. 543, Tax Ct. Rep. (CCH) 29,401, (P-H) ¶51.53 (1969)
423 F.2d 710, 70-1 USTC ¶9281, 25 AFTR2d 70-842 (9th Cir. 1970) (aff'g)
- Starker v. United States**
75-1 USTC ¶9443, 35 AFTR2d 75-1550 (D. Or. 1975)
- Starker v. United States**
432 F.Supp. 864, 77-2 USTC ¶9512, 40 AFTR2d 77-5460 (D. Or. 1977), acq. I.R.B. 1982-28, 5
602 F.2d 1341, 79-2 USTC ¶9541, 44 AFTR2d 79-5525 (9th Cir. 1979) (aff'g in part, rev'g in part and rem'g)
- Stevenson Co-Ply, Inc. v. Commissioner**
76 T.C. 637, Tax Ct. Rep. (CCH) 37,850, (P-H) ¶76.54 (1981), acq. I.R.B. 1982-28,5
- Stone v. Granquist**
60-1 USTC ¶9148, 5 AFTR2d 304 (D. Or. 1959)
- Straughn, Estate of v. Commissioner**
55 T.C. 21, Tax Ct. Rep. (CCH) 30,367, (P-H) ¶55.4 (1970), acq. 1976-2 C.B. 3
- Stuchell v. Commissioner**
37 T.C.M. 1017, Tax Ct. Mem. Dec. (CCH) 35,234(M), (P-H) ¶78,236 (1978)
- Superior Pine Products Co. v. United States**
201 Ct. Cl. 455, 73-1 USTC ¶9348, 31 AFTR2d 73-1134 (1973) (adopting Ct. Cl. Commissioner's Report)
414 U.S. 857, 94 S.Ct. 162, 38 L.Ed.2d 107 (1973) (denying cert.)

Tesche v. Commissioner

33 T.C. 122, Tax Ct. Rep. Dec.(CCH) 23,809, (P-H) ¶33.14 (1959), acq. 1960-2 C.B. 7

Three States Lumber Co. v. Commissioner

4 T.C.M. 955, Tax Ct. Mem. Dec.(CCH) 14,815(M), (P-H) ¶45,311(1945)
158 F.2d 61, 46-2 USTC ¶9398, 35 AFTR2d 357 (7th Cir. 1946) (rev'g)

Timber Conservation Co. v. United States

208 F.Supp. 626, 62-2 USTC ¶9578, 10 AFTR2d 5036 (D. Or. 1962)

Union Bag-Camp Paper Corp. v. United States

325 F.2d 730, 163 Ct. Cl. 525, 64-1 USTC ¶9122, 12 AFTR2d 6127 (1963)

Union Bag-Camp Paper Corp. v. United States

366 F.2d 1011, 177 Ct.Cl. 212, 66-2 USTC ¶9694, 18 AFTR2d 5758 (1966)

Varn, Inc. v. United States

425 F.2d 1231, 70-1 USTC ¶9406, 25 AFTR2d 70-1201 (1970) (adopting Ct.Cl. Commissioner's Report)

Wacker v. Commissioner

40 T.C.M. 1009, Tax Ct. Mem. Dec. (CCH) 37,166(M), (P-H) ¶80,324(1980)

Wagar Lumber Co. v. United States

181 F.Supp. 388, 60-1 USTC ¶9343,5 AFTR2d 840 (W.D. Wash. 1960)

Wagar Mills, Inc. v. Commissioner

33 T.C.M. 1267, Tax Ct. Mem. Dec. (CCH) 32,817(M), (P-H) ¶74,274(1974)
530 F.2d 827, 76-1 USTC ¶9298, 37 AFTR2d 76-1018 (8th Cir. 1976) (aff'g)

Waldrip v. United States

81-2 USTC ¶9653, 48 AFTR2d 81-6031 (N.D. Ga. 1981)

Walker v. Commissioner

101 T.C. 36, Tax Ct. Rep. Dec. (CCH) 49,460 (1993)

Ward v. United States

428 F.2d 1288, 192 Ct. Cl. 710, 70-2 USTC ¶9518, 26 AFTR2d 70-5138 (1970)
400 U.S. 1008, 91 S.Ct. 567, 27 L. Ed. 2d 621 (1971) (denying cert.)

Warner Mountains Lumber Co. v. Commissioner

9 T.C. 1171 (1947), acq. 1948-2 C.B. 4

Watkins, adv. United States

600 F.2d 201, 79-2 USTC ¶9548, 44 AFTR2d 79-5222 (9th Cir. 1979) (aff'g)
444 U.S. 871, 100 S.Ct. 148, 62 L.Ed.2d 96 (1979) (denying cert.)

Watts v. Erickson

62-2 USTC ¶9778, 10 AFTR2d 5832 (D. Or. 1962)

Western Montana Lumber Co. v. Commissioner

20 T.C.M. 1687, Tax Ct. Mem. Dec. (CCH) 25,156(M), (P-H) ¶61,326 (1961)

Westvaco Corporation v. United States

639 F.2d 700, 81-1 USTC ¶9101, 47 AFTR2d 406 (Ct. Cl. 1980) (No cert. (G))

Weyerhaeuser Co. v. United States

66-1 USTC ¶9417, 17 AFTR2d 893 (W.D. Wash. 1966)
402 F.2d 620, 68-2 USTC ¶9629, 22 AFTR2d 5825 (9th Cir. 1968) (aff'g in part and rev'g in part)

Willamette Industries v. United States

79-2 USTC ¶9520, 44 AFTR2d 79-5321 (D. Or. 1979), aff'd by court order, 3-27-80 (9th Cir.)

Willamette Industries v. Commissioner

41 T.C.M. 629, Tax Ct. Mem. Dec. (CCH) 37,514(M), (P-H) ¶80,577 (1980)

Willamette Industries, Inc. v. United States

530 F.Supp. 904, 81-2 USTC ¶9633, 48 AFTR2d 81-6045 (D. Or. 1981)
689 F.2d 865, 82-2 USTC ¶9625, 50 AFTR2d 82-5991, (9th Cir. 1982) (aff'g) (Cert. den'y 3-22-83)

Willamette Valley Lumber Co. v. United States

252 F.Supp 199, 66-1 USTC ¶9258, 17 AFTR2d 418 (D.Ore. 1966)

Willey v. Commissioner

9 T.C.M. 1109, Tax Ct. Mem. Dec. (CCH) 18,011(M), (P-H) ¶50,299 (1950)
10 T.C.M. 267, Tax Ct. Mem. Dec. (CCH) 18,202(M), (P-H) ¶51,072 (1951) (supplemental memorandum findings of fact and opinion)
199 F.2d 375, 52-2 USTC ¶9517 (6th Cir. 1952) (aff'g per curiam)

Wilmington Trust Co. v. United States

79-1 USTC ¶9223, 43 AFTR2d 78-801 (1979) (Ct. Cl. Trial Judge Op. 1979) (modified)
610 F.2d 703, 79-2 USTC ¶9707, 45 AFTR2d 80-301, (1979)

Wilson v. Commissioner

26 T.C. 474 (1956), nonacq. 1962-2 C.B. 7

Wineberg v. Commissioner

20 T.C.M. 1715, Tax Ct. Mem. Dec. (CCH) 25,172(M), (P-H) ¶61,336(1961)
326 F.2d 157, 64-1 USTC ¶9156, 13 AFTR2d 323 (9th Cir. 1963) (aff'g)

Wirkkala v. United States

181 F.Supp. 338, 60-1 USTC ¶9344, 5 AFTR2d 837 (W.D.Wash.)

Zardo v. Commissioner

43 T.C.M. 626, Tax Ct. Mem. Dec. (CCH), 38,813(M), (P-H) ¶82,094 (1982)
 509 F.Supp.976, 81-1 USTC ¶9419, 47 AFTR2d 81-1488 (E.D. La. 1981)
 687 F.2d 97, 82-2 USTC ¶9609, 50 AFTR2d 82-5786 (5th Cir. 1982), (rev'g and rem'g)
 84-1 USTC ¶9246, 53 AFTR2d 84-842 (1984) (D.C. La.) on rem.

REVENUE RULINGS

("C.B." refers to IRS Cumulative Bulletins)

53-217; 1953-2 C.B. 12 obsolete; Rev. Rul. 72-620
 55-252; 1955-1 C.B. 319; superseded by Rev. Rul. 75-467
 55-352; 1955-1 C.B. 372; obsolete; Rev. Rul. 76-566
 56-434; 1956-2 C.B. 334
 57-9; 1957-1 C.B. 265
 57-90; 1957-1 C.B. 199
 58-135; 1958-1 C.B. 519
 58-266; 1958-1 C.B. 520
 58-295; 1958-1 C.B. 249
 58-579; 1958-2 C.B. 361
 60-244; 1960-2 C.B. 167
 61-56; 1961-1 C.B. 243
 61-57; 1961-1 C.B. 243
 62-81; 1962-1 C.B. 153; amplified by: Rev. Rul. 78-267
 62-82; 1962-1 C.B. 155; amplified by: Rev. Rul. 78-267
 66-6; 1966-1 C.B. 160; amplifying I.T. 3985, 1949-2 C.B. 51 & I.T. 3287, 1939-1 C.B. (Pt. 1) 138
 66-7; 1966-1 C.B. 188; amplifying: I.T. 3985, 1949-2 C.B. 51
 66-9; 1966-1 C.B. 39; distinguished by Rev. Rul. 87-59
 66-18; 1966-1 C.B. 59; modified by: Rev. Rul. 71-228
 67-51; 1967-1 C.B. 68
 68-281; 1968-1 C.B. 22; distinguished by Rev. Rul. 73-217
 71-254; 1971-1 C.B. 78
 71-228; 1971-1 C.B. 53; modifying Rev. Rul. 66-18
 71-334; 1971-2 C.B. 248
 71-354; 1971-2 C.B. 246
 72-252; 1972-1 C.B. 193

72-372; 1972-2 C.B. 471; revoked by: Rev. Rul. 80-175
 73-51; 1973-1 C.B. 75
 73-222; 1973-1 C.B. 373
 73-267; 1973-1 C.B. 306; distinguished by: Rev. Rul. 73-489
 73-489; 1973-2 C.B. 208; distinguishing: Rev. Rul. 73-267
 74-271; 1974-1 C.B. 151
 74-529; 1974-2 C.B. 185
 75-59; 1975-1 C.B. 177; amplified by Rev. Rul. 78-267
 75-306; 1975-2 C.B. 243
 75-405; 1975-2 C.B. 63
 75-467; 1975-2 C.B. 93; superseding: Rev. Rul. 55-252
 76-6; 1976-1 C.B. 176; superseded by Rev. Rul. 84-67
 76-242; 1976-1 C.B. 132; revoked by: Rev. Rul. 79-102; revoking I.T. 1368 & O.D. 995; modified by: Rev. Rul. 77-64
 76-253; 1976-2 C.B. 51
 76-290; 1976-2 C.B. 188
 77-64; 1977-1 C.B. 136; revoked by: Rev. Rul. 79-102
 77-148; 1977-1 C.B. 63
 77-103; 1977-1 C.B. 273
 77-229; 1977-2 C.B. 210; corrected by Ann. 77-140 I.R.B. 1977-39, 52
 77-247; 1977-2 C.B. 211
 77-400; 1977-2 C.B. 206
 78-104; 1978-1 C.B. 194
 78-264; 1978-2 C.B. 9
 78-267; 1978-2 C.B. 171; amplifying: Rev. Rul. 75-59, 62-82, and 62-81
 79-174; 1979-1 C.B. 99; modifying: Rev. Rul. 57-599, distinguished by Rev. Rul. 87-59
 80-175; 1982 C.B. 67; revoking: Rev. Rul. 72-372
 81-2; 1981-1 C.B. 78
 82-78; 1982-1 C.B. 30
 84-67; 1984-1 C.B. 28; modifying and superseding Rev. Rul. 76-6
 84-81; 1984-1 C.B. 135
 87-59; 1987-2 C.B. 59; amplified by Rev. Rul. 90-61, distinguishing Rev. Rul. 79-174 and 66-9
 88-99; 1988-2 C.B. 33; clarifying Rev. Rul. 68-281
 90-61; 1990-2 C.B. 39, amplifying Rev. Rul. 87-59
 94-27; 1994-1 C.B. 26

Appendix III. IRS Form T (Timber)

(Rev. April 1995)

▶ Attach to your tax return.

Department of the Treasury
Internal Revenue Service

For tax year ended, 19

Attachment
Sequence No. **89**

Name(s) as shown on return

Identifying number

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.

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

- Recordkeeping 37 hr., 4 min.
- Learning about the law or the form 35 min.
- Preparing and sending the form to the IRS . . . 1 hr., 14 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 IRS. See the instructions for the tax return with which this form is filed.

General Instructions

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

Who must file.—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. **Complete only Schedules C and F if you are a small-woodlot owner whose only timber-related activity during the year was an isolated sale of timber.**

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

Schedule A (optional).—If you do not send the Schedule A maps in with Form T, you must make them available if your return is examined.

Schedule B.—Complete for any year you acquire timber, timber cutting contracts, or forest land. Complete Schedule B

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

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

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

Schedule E.—Complete 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 for planting or seeding. Examples of timber stand activities are precommercial thinning and fertilization.

Schedule F.—Complete 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 Schedule F 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.—Complete to show changes in ownership of land during the tax year.

Schedule H (optional).—Complete 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 (optional).—Complete 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.** To order this handbook, call 202-512-1800 (not a toll-free number) or write the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. The handbook costs \$7.00 (subject to change); its GPO stock number is 001-000-04540-7.

Schedule A Maps (Optional)

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 your return is examined. 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. 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 by purchase, exchange (whether taxable or not), 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 lines 4 and 5. For an acquisition by gift or inheritance, do not complete line 6 through 8b. 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 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. Follow the format of lines 3 through 10 on additional sheets if necessary.

3 Name of block and title of account¹

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

¹You 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.

Schedule B Acquisitions (Continued)

5a Name and address of seller or person from whom property was acquired	b Date acquired			
6 Amount paid: a In cash				
b In interest-bearing notes				
c In non-interest-bearing notes				
7a Amount of other consideration				
b Explain 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)				
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 (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.)				
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

<p>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.</p> <p>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 13 and 14 for each combined small sale. 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, fill in</p>	<p>lines 15, 19, and 20 only for amounts that must be reported on your current year income tax return. Instead of filling in lines 16, 17, and 18, 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 12 through 20 on additional sheets if necessary.</p>
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 non-interest-bearing notes					
16 Amount received in other consideration					
17 Explain 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. (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.)					
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, wind, theft, or other causes, and you claimed the loss on your income tax return, show separately the proof of loss for each timber account and complete lines 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 you determined the total loss on line 24a:

Schedule E Reforestation and Timber Stand Activities

26 Summarize your expenses for reforestation and timber stand activities on this schedule. Keep detailed information to support the costs reported in this schedule and make it available if your return is examined. Report on Schedule E 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.

Precommercial thinning or fertilization.—Report all expenditures that must 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

On lines 27 through 42, give the data for each timber account separately. Cover any changes that have taken place during the tax year. Attach as many additional pages of this schedule 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 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 ▶

27 Name of block and title of account ▶	(a) Quantity in MBF, log scale; cords; or other unit ¹	(b) Cost or other basis
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 (b), divided by line 33, column (a))		
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 (a); line 37, column (a); and line 39, column (a).		
b Add line 36, column (b); line 38, column (b); and line 40, column (b).		
42 Net quantity and value at end of year (line 33, column (a) less line 41a, column (a); and line 33, column (b) less line 41b, column (b)).		

¹If MBF, log scale, is not the unit used, state what unit you used and explain it.

²Adjust the quantity in MBF, 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, clearly state the basis for it.

³Analyze 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

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 the 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 1 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.

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 on lines 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.

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 from lines 2 through 20.

50 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.

51 Section 631(a) applies only to timber owned, or held under a contract right to cut, for a period of more than 1 year. In your records show the quantity of timber cut that you held for more than 1 year. Show separately the quantity of timber cut that was held for less than 1 year. 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 lines 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, keep this information and make it available if your return is examined. Include separate cost accounts for construction by you and by the contractor.

Schedule H Road Construction Cost

60 Report on lines 61 and 62 the expenditures incurred for road construction during the tax year. Use a separate schedule 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)

The right side of the form features a vertical column. The top portion is a rectangular area filled with diagonal hatching. Below this hatched area are four horizontal lines, which serve as a grid for recording the data from the list on the left.

Appendix IV. Forms for Recording Timber Transactions

The following accounting forms are provided so that you can record your timber transactions. If your operation is small, you can use only the journal forms to record transactions when they occur as suggested in Figure XIV-1 of Chapter XIV. As the scope of the timber investment increases, however, you can establish ledger accounts for land, merchantable timber, premerchantable timber, equipment, and other items as seems appropriate for your goals and the size of the property (see Chapter XIV, Figures XIV-2, XIV-3, XIV-4, and XIV-5). The entries recorded in the business journal can then be transferred (posted) to the respective ledger accounts as shown in Chapter XIV. The blank pages can be copied as required and the names of the ledger accounts written in as needed for timber transaction purposes. Due to the relatively small number of transactions for some accounts, and possibility of a larger number of transactions for

others, you may have to experiment until you get the right mix. The example in Table XIV-1 indicates the amount of space to allow for each account and the type of activities to record.

Because of the passive loss rules (see Chapter V), it may also be important for noncorporate timberland owners to record the time that they spend on their timber activities. Journal entries can include the date, description, mileage, and hours spent on various woodland activities, which will help to ensure that these items are not forgotten. Such entries, if kept on a timely and routine basis, will help to document the hourly requirements for material participation purposes, as well as the purpose for which certain activities are accomplished.

Index

	Page		Page
Accounting methods	75	Farming	24, 40
Accounts—also listed by name	18, 76, 77, 135	Fire, losses due to	43
Active income (loss)	27, 28	Fire protection expenses	27
Administrative law	67, 68	Forest products	42, 55
Ad valorem taxes, see property taxes	15, 27	Forestation expenses	19
Agricultural conservation program (ACP) payments	40	Amortization of	19, 24
Allocation of costs	17	Forester	11, 13, 27
Allocation of basis	17	Forestry Incentives Program (FIP) payments	40
Allowable basis	36, 44	Form T	20-23, 32, 33, 37, 122
Alternative minimum tax	54, 55	Form 4797	38, 39, 42, 47, 48
Amortization	19, 24	Gain or loss, how computed	31, 34
Audits and appeals	69	Gifts, basis of	17
Basis	17, 48	Growth, accounting for	31
Brush control	19, 92	Hobby vs. business	15
Business expenses, how to recover	15, 27	Hobby expenses, how to recover	15
Business vs. hobby	15	Holding period	35, 36, 38
By-products	42	Hurricanes, losses due to	43
Capital account	17, 18, 76, 77	Ice storm, losses due to	43
Capital asset	17, 35, 36	Improvements to land	18
Capital gains and losses	34, 35	Independent contractor	56, 57
Capital vs. expense—see specific items	17, 27	Information returns	42
Capitalization	17, 28, 76	Inherited property, basis of	17
Carrying charges	27, 29	Insects, losses due to	43, 94
Case law	68	Installment sales	53, 54
Casualty losses	43	Interest	6, 30
Christmas trees, expenses of producing	59, 91	Investment, property held for	15, 29, 35
Christmas trees, income from	59, 60	Investment expenses, how to recover	27, 29
Christmas trees, as timber	59, 60	Investment tax credit	19, 25
Community property	63	Involuntary conversions	43, 93
Condemnations	45, 46, 47	Insurance, proceeds from	44
Conservation easements	51, 52	Insurance expenses	27
Conservation Reserve Program	24, 40	Journal	75, 76, 81
Consulting forester	11, 27, 48	Land account	18, 76
Contract right to cut vs. service contract	36, 39	Leases	4, 15, 38
Co-ownership	63	Ledger	76
Corporations	16, 64	Life estate	63
Cost—see specific items	17	Limited liability companies	64
Courts	68, 69	Limited partnership	64
Cruising expense	31	Logging roads	25, 26, 91
Cutover land	42	Losses	43-48, 93, 94
Cutting as a sale or exchange	38	Lump-sum sale	35, 36
Cutting contracts	36, 38	Management expenses—see specific expense	27
Cutting rights	36, 38	Marking of timber	31
Date of cutting	38	Material participation	28, 76
Depletion allowance	31, 34, 36, 44, 91	Merchantable timber	18, 43, 76, 82
Depreciation expenses	25, 26, 27	Minimum tax	54, 55
Disposal with a retained economic interest	36, 71	Noncasualty losses	48
Drought, damage due to	3, 43	Noncommercial thinning	27
Economic interest, defined	36	Operating expenses—see specific item	27
Economic decision criteria	5, 6	Ordinary income	5, 34, 36, 38, 42
Elections by taxpayer	24, 27, 38	Outright sales of timber	35
Employee	56, 57	Owner	36, 38, 39
Equipment	19, 25, 45, 76	Partial destructions, losses due to	44, 45
Estates	16	Partnerships	15, 60, 63, 64
Evergreen trees, defined	38, 59	Passive activity	28, 29
Exchanges	17, 46	Passive income (loss)	28, 29
Fair market value	17, 19, 38, 60, 92	Personal use, property held for	15, 43

	Page
Plantation account	18, 76
Planting expenses	18
Portfolio income (loss)	29
Preproductive period	12, 59
"Primarily for sale," timber held for	36
Profit, defined for timber investments	15, 27
Pruning expenses	59, 91
Quantity of timber, determination of	18, 31, 36
Recordkeeping requirements	28, 75
Reforestation expenses	19, 24, 76
Reforestation expenses, amortization of	19, 24, 76
Reforestation tax credit	25
Rental income	4, 15, 40
Rental expenses	26
Retained economic interest	36
Revocation of election under Section 631(a)	40
Roads	18, 25, 26 91
Sale ownership	63
Sales, types of	35, 36, 38
Salvage of damaged timber	44
Scaling of logs	38
Schedule D	36, 38
S corporations	64
Self-employment tax	34, 55
Selling expenses	31
Shearing expenses	59, 91
Site preparation expenses	6, 19, 24
Social security tax—see self-employment tax	55, 56
Soil and water conservation expenses	24, 40
Stewardship	51
Stewardship Incentive Program	40
Stumpage	39
Stumps	42
Taxes, deductible and nondeductible	30
Theft, losses from	45
Thinning expenses	27
Timber accounts	18, 31, 76
Timber cruise expenses	31
Timber, defined	38
Timber stand improvement (TSI) expenses	24, 28, 42
Timeline	6
Tops, limbs, chips	42
Tornado, losses due to	43
Trade or business, held for use in	15, 25, 28
Travel expense	27
Trees, damage to	43, 44, 45
Trusts	16
Valuation	18, 38
Windstorm	43
Year of cutting	38
Year of deduction for casualty loss and theft	44, 45, 46
Young growth account	18, 84
Young growth, losses of	44, 45

