

## Chapter 14. Sources of Tax Assistance

Many sources of tax assistance are available. Your personal attorney, accountant, or tax preparer should be your first point of contact. If they are not expert in the tax treatment of timber transactions, however, additional help may be needed. The Internal Revenue Service (IRS) taxpayer assistance program has trained personnel answering toll-free taxpayer service phones to deal with many tax questions; however, these individuals may not be familiar with the intricacies of the tax treatment of timber. This chapter discusses additional sources of assistance.

### 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 guide supplements the IRS taxpayer publications by compiling tax information that directly affects forest landowners. The IRS publications providing the general tax background needed to handle timber transactions are cited in the text of this

Publication Number	Title
1	<i>Your Rights as a Taxpayer</i>
5	<i>Your Appeal Rights and How To Prepare a Protest If You Don't Agree</i>
15	<i>(Circular E), Employer's Tax Guide</i>
15-A	<i>Employer's Supplemental Tax Guide (Supplement to Publication 15 (Circular E), Employer's Tax Guide)</i>
17	<i>Your Federal Income Tax For Individuals</i>
225	<i>Farmer's Tax Guide.</i> A comprehensive guide for taxpayers who qualify as farmers. This publication contains much information about timber transactions
334	<i>Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ).</i> A comprehensive guide for owners of small businesses, corporate and noncorporate. Few timber transactions are discussed.
463	<i>Travel, Entertainment, Gift, and Car Expenses</i>
501	<i>Exemptions, Standard Deduction, and Filing Information</i>
505	<i>Tax Withholding and Estimated Tax</i>
526	<i>Charitable Contributions</i>
527	<i>Residential Rental Property (Including Rental of Vacation Homes)</i>
529	<i>Miscellaneous Deductions</i>
534	<i>Depreciating Property Placed in Service Before 1987</i>
535	<i>Business Expenses</i>
536	<i>Net Operating Losses (NOLs) for Individuals, Estates, and Trusts</i>
537	<i>Installment Sales</i>
538	<i>Accounting Periods and Methods</i>
541	<i>Partnerships</i>
542	<i>Corporations</i>
544	<i>Sales and Other Dispositions of Assets</i>
547	<i>Casualties, Disasters, and Thefts</i>
550	<i>Investment Income and Expenses (Including Capital Gains and Losses)</i>
551	<i>Basis of Assets</i>
552	<i>Recordkeeping for Individuals</i>
556	<i>Examination of Returns, Appeal Rights, and Claims for Refund</i>
559	<i>Survivors, Executors, and Administrators</i>
561	<i>Determining the Value of Donated Property</i>
584	<i>Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)</i>
584-B	<i>Business Casualty, Disaster, and Theft Loss Workbook</i>
587	<i>Business Use of Your Home (Including Use by Daycare Providers)</i>
598	<i>Tax on Unrelated Business Income of Exempt Organizations</i>
910	<i>IRS Guide to Free Tax Services</i>
925	<i>Passive Activity and At-Risk Rules</i>
946	<i>How to Depreciate Property</i>
950	<i>Introduction to Estate and Gift Taxes</i>

---

guide. IRS publications can be obtained at no charge from the IRS or online at <http://www.irs.gov/app/picklist/list/formsPublications.html>. The listed IRS publications contain background information that may be helpful in understanding the tax treatment of timber activities.

## Commercial Tax Services

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 (IRC) sections:

1. *Federal Tax Coordinator*, published by Thomson Reuters Tax and Accounting (<http://ria.thomsonreuters.com/>), located in New York, New York.
2. *Standard Federal Tax Reporter*, published by CCH Group (<http://www.cch.com/>), a Wolters Kluwer business located in Chicago, Illinois.

## The Internet

1. The IRS Web site (<http://www.irs.gov>) contains a wealth of tax-related information, including news on IRS developments, tax forms and publications, and other information.
2. The National Timber Tax Web site (<http://www.timbertax.org>), maintained by Southern Regional Extension Forestry at the University of Georgia in cooperation with the U.S. Department of Agriculture (USDA), Forest Service and National Woodland Owners Association, is a comprehensive source of information on forest taxation.

Otherwise, if you access a Web site with which you are not familiar, be certain to determine the reliability of the information on the Web site before using it.

## Tax Preparation Software and Electronic Filing

The IRS strongly encourages taxpayers to file electronically, that is, to e-file. Options for e-filing can be found at <http://www.irs.gov/efile/index.html>. Large businesses have been required to e-file for many years. The IRS has e-file agreements with many tax preparation software companies. In addition, the IRS Web site has free tax preparation software. The major

commercial software packages handle most timber transactions, including the reforestation deduction and amortization provisions, either as adjustments to gross income, or as a business expense.

Many timberland owners will need to file on paper, however. Attachments are frequently required, such as when a taxpayer elects to expense reforestation deductions under IRC section 194 or to exclude the qualified portion of a cost-sharing payment under IRC section 126. Also, IRS Form T (Timber) may need to be filed.

Starting with the 2008 filing season for 2007 tax returns, the IRS revised Form 8453: U.S. Individual Income Tax Transmittal for an IRS *e-file* Return, with respect to attachments mailed in after the return is filed electronically. This form was previously used to file a paper signature for an e-return. The revised Form 8453 can only be used with attachments specifically listed on the front of the form. None of the attachments typically associated with timber transactions are listed. Thus, if you need to file a return with timber-related attachments, you will need to file on paper. Of course tax software can be used to prepare your return, but it will need to be printed out and mailed in with the required attachments. Do not file electronically and then simply mail in the attachments. The IRS will not be able to merge the electronic and paper elements.

If you use tax preparation software you will need to maintain your timber accounts separately to determine the allowable basis or depletion allowance for timber disposals. If you know the procedures you can maintain these accounts on a spreadsheet such as Microsoft Excel®, Lotus 1-2-3®, or Apple iWork Numbers®. Commercial accounting software can be used as well.

## Tracking Current Developments

Several publications include information on the tax treatment of timber and updates on changes. Publications that are national in scope include:

1. *Tax Tips for Forest Landowners*, produced by the USDA Forest Service, Cooperative Forestry, provides an annual summary of Federal income tax provisions that affect forest owners. You can find the most recent edition at <http://www.fs.fed.us/spf/coop/>.
2. *National Woodlands*, published quarterly by the National Woodland Owners Association (<http://www.woodlandowners.org/>), located in Vienna, Virginia. The magazine also provides tax legislative updates.

- 
3. *Tree Farmer Magazine*, published by the American Forest Foundation (<http://www.treefarmssystem.org/>), located in Washington, DC, features in-depth discussions of tax-related topics..
  4. *Forest Landowner Magazine*, published six times per year by the Forest Landowners Association (FLA; <http://www.forestlandowners.com/>), located in Atlanta, Georgia. All issues provide legislative updates. FLA also publishes newsletters with tax developments.

Several other State and regional forest owner organizations have magazines that regularly feature tax information in their

winter or spring issues. These magazines include *Virginia Forests*, published by the Virginia Forestry Association (<http://www.vaforestry.org/>); *Northwest Woodlands*, published in cooperation with forest owner groups in Oregon, Washington, Idaho, and Montana; *Woodland Management*, published by the Wisconsin Woodland Owners Association (<http://www.wisconsinwoodlands.org/>); and *Capital Ideas*, published by the Alabama Forest Owners' Association (AFOA). AFOA also hosts *Capital Ideas—Live*, a monthly Web-enabled news conference for forest owners that frequently covers tax topics, available at <http://www.foa.org/>.

