

JamisonMoneyFarmer PC

Timber Practice Group

GOALS OF THE JMF TIMBER PRACTICE GROUP



As a reputable accounting firm in West Alabama for over 90 years, **JamisonMoneyFarmer PC** has vast experience working with clients in the timber industry. We have made it our priority to assist our clients in understanding the complicated tax laws surrounding timber.





Understanding these laws is essential to optimizing our client's tax situation. We work with timber mills, timber managers, timber farmers and clients that hold timber for investment to make sure they are maximizing their deductions and classifying their timber income correctly.



JMF offers tax planning, education seminars, consulting and various other services related to timber management and timber investments. Our experienced timber experts can keep you up to date on all timber-related law changes and make sure that you are optimizing your tax situation.



Important things to remember for timber purposes:

- Is your timber personal property, investment property, or business property?
- Keeping up with timber basis and depletion.
- Tax treatment and cost-share payments.





Important things to remember for timber purposes



- Reforestation tax incentives.
- Deduction of timber management expenses.
- Tax treatment of timber sales.
- Casualty losses on timber.
- Installment sales.
- Depreciation, bonus depreciation, and firstyear expensing.



Topics for Discussion

- We will focus on investment property and business property.
- We will discuss deductions for timber management expenses.





Topics for Discussion

- We will discuss the importance of keeping track of timber basis and depletion.
- We will discuss the tax treatment for timber sales.





Investment property

- Own timberland and intend to sell timber in the future for a profit
- Grow timber for capital appreciation, but you are not an active manager
- You deduct management expenses as miscellaneous itemized deduction on Schedule A of your individual return





Investment property

- If you take the standard deduction, you may be able to capitalize these expenses as long as they are recorded properly
- You qualify for federal tax programs for reforestation, so you can recover all site preparation and reforestation costs
 - \$10,000 per U.S.I.
 - Amortization for cost over that mount (84 months)



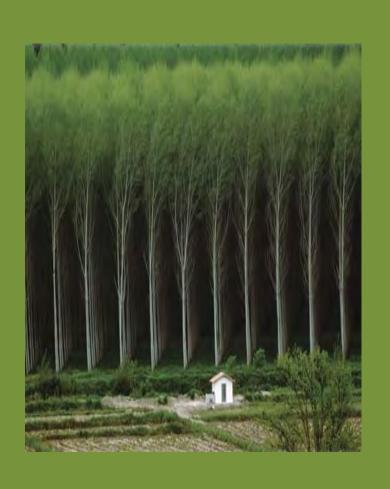
Investment property

- Capital gains treatment for timber sales if you have owned the timber for more than 1 year
- Investors have occasional sales of timber
- What is occasional? One or two sales every three or four years





Business Property



- Your intentions are to make a profit from growing and/or selling timber
- You are usually more involved in the managing of the timberland
- You must be operating in a businesslike fashion, making financial decisions based on a reasonable profit motive

Business Property

- Passive Loss Rules(difference is amount of time spent on the business):
 - Material Participants
 - Manage their property on a "regular, continuous, and substantial" level
 - May deduct expenses against any source of income
 - Passive Participants
 - Special restrictions for deducting expenses
 - Special restrictions for deducting losses



Business Property

 Business owners should keep records of time spent managing the forest business.





The JMF Timber Practice Group is available to assist you with your timber tax issues as well as your Estate Planning needs.

- Check us out at www.jmf.com and look for the Timber Industry page.
- Contact us at 205-345-8440



Our Timber Practice Team

- Rick Gibson, CPA
 - rgibson@jmf.com
- Carl Jamison, CPA
 - cjamison@jmf.com
- Janet Moore, CPA
 - jmoore@jmf.com
- Danny Roberts, CPA
 - droberts@jmf.com
- Chris Williams, CPA
 - cwilliams@jmf.com
- Kristen Roberts, CPA
 - kroberts@jmf.com
- Ashley Johnson, CPA
 - ajohnson@jmf.com
- Rachel Aaron, CPA
 - raaron@jmf.com

- Angela Hamiter, CPA
 - ahamiter@jmf.com
- Dick Miles, CPA
 - dmiles@jmf.com
- Cathy Rice, CPA
 - crice@jmf.com
- Kristi Moore, CPA
 - kmoore@jmf.com
- Orman Wilson, CPA
 - owilson@jmf.com
- Rachel Taylor, CPA
 - rtaylor@jmf.com
- Josh Taylor, CPA
 - <u>jtaylor@jmf.com</u>





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