

# Recordkeeping: A How-to-do-it Guide for Small Woodland Owners

N.E. Elwood and S.R. Gregory

## Contents

What to record .....	2
Revenue .....	2
Expenses .....	3
Property .....	3
Taxes .....	3
Access and transportation .....	4
Equipment .....	4
Stand management .....	4
Other costs .....	5
How to record it .....	5
<i>A simple system for small woodland owners</i> .....	7
One step beyond the basics .....	7
<i>Commercially available systems</i> .....	8
Manual systems .....	8
Computerized systems .....	10
Making the system work .....	10
<i>Implementing the system</i> .....	10
<i>Managing the system</i> .....	10
Conclusion .....	14
For more information .....	15

Norman E. Elwood, Extension  
forestry specialist emeritus, Oregon  
State University; and Susie R.  
Gregory, enrolled agent, Roseburg,  
OR.

**R**ecordkeeping is an important part of managing any forest property. Although it's often seen as a thankless task, recordkeeping's rewards can be counted in better decisions—and time and money saved. Without question, good records will help you manage your woodland better by providing:

- A historical record of management activities
- Evidence of buying and selling
- Information you'll need for tax filing

Further, recordkeeping will help provide an overall picture of your operation, which is essential for management and financial planning. The information you'd need to use with other *Woodland Workbook* publications—such as *Management Planning for Woodland Owners: Why and How* (EC 1125)—could come directly from the records described here. This publication is designed primarily for the woodland owner who is not using a formal recordkeeping system and whose primary source of income is not from the forest property. Its purpose is to:

- Introduce you to recordkeeping
- Identify what information is valuable to record
- Present a simple recordkeeping system and describe its use

We won't make you an accountant or a tax expert. But we will describe some accounting principles and tax-related items.

We do assume that if your **primary** business is purchasing, managing, and/or selling forest land and products, you're already using a formal recordkeeping or accounting system.

If you're not doing so, this publication will serve as a starting point. Consult a qualified accountant or bookkeeper for further assistance.

## What to record

Record information about all property ownership and management activities and the associated revenues and expenses. Every time you buy, sell, and trade anything, pay a bill, collect a fee, or conduct any operation related to your property, you should create a record.

Even though your actions may not involve the exchange of money or products, may not appear to be tax-related, and may not seem significant, these records will give you valuable planning and decision-making information.

---

**Every good record should contain four D's: Date, Dollars, Detail, and Direction.**

---

logger's name and address, date and time of the cruise, and part(s) of the property examined. Make notes of pertinent discussion, especially recommendations or decisions made. Be sure to keep supporting papers, receipts, letters, maps, photographs, etc.—they're also essential.

The records discussed here will serve for tax purposes and for management planning and decision making. Frequently, you'll need records of nondeductible items and activities to determine the best use of your time and money.

Because the need for these records varies with each woodland operation and its owner's tax situation, we haven't tried to distinguish what items and activities you should record for tax purposes rather than strictly for management purposes. The recordkeeping system presented here is adequate for you and your accountant or tax preparer to analyze your activities and prepare your taxes.

Before discussing specific examples of the categories of items or specific activities that should be tracked in your recordkeeping system, let's talk more generally about what constitutes a **good** record and what every good record should contain.

There should be some indication of the date the event occurred, how much money was involved, and what was purchased, sold, or traded, etc. One general "rule" for what every good record should contain is called the **4-D Method** of recordkeeping. Every good record should contain four D's: Date, Dollars, Detail, and Direction.

Date, Dollars, and Detail are quite straightforward. Ensure that everything you record reflects the activity date and, if money is involved, the correct amount. Make complete notes on the details of the activity, transaction, or event. More is usually better than less. Finally, you may make multiple entries in your system pertaining to the same activity. As part of those entries, be sure to list Direction(al) "pointers" to the other entries. We often call this "cross referencing." Regarding timber sale records, you might, for example, note where the maps are located. For land acquisition, you might note where the original deed is stored.

If every time you enter something in your recordkeeping system you ask yourself, "Have I included the 4 D's?," you'll ensure that you have recorded the essentials.

Information in any woodland recordkeeping system can be divided into categories and subcategories. The approach used here recognizes revenues and expenses as the two major categories, with several subcategories. These categories and typical items for which you should keep records are discussed in detail below.

## Revenue

You might receive revenues in single or periodic payments, either by cash or check. Although cash has the advantage that a bank doesn't have to clear it before making payment, it lacks the record that a check provides—and, cash easily can slip undocumented through your system.

Therefore, we recommend that you require payment by check, accompanied by documentation stating precisely what the payment was for; when the activity occurred; and, if pertinent, the species of tree or plant, the product (e.g., saw logs,

veneer logs, poles, chips, firewood, pulp-wood), volume, and the specific location from which material was harvested and by whom.

Revenue categories might include the following.

**Harvest operations** Receipts from harvested products for which you were paid a fee. This could include products you harvested yourself (or hired done) and sold at the roadside or delivered to a mill.

**Incentive payments** These would include payments received through participation in either federal or Oregon cost-share and/or incentive-payment programs. Record pertinent details about the incentive payments even if you passed on the payment to a contractor.

**Land disposal** Gross receipts from the sale of all or a portion of your property.

**Leases and permits** Gross receipts received from camping, firewood cutting, Christmas tree sales, mining or quarrying, water use, hunting, livestock grazing, cultivation, or other agricultural use of your property, and granting of rights-of-way across your property.

**Minor forest products** Payments for seed cones, firewood, fence posts, tree boughs, ferns, truffles, etc.

**Miscellaneous revenue** Sale of equipment and legal settlements (payments from events such as timber trespass, boundary dispute, and property condemnation).

## Expenses

### Property

**Broker's or finder's fee** Payment for locating or assisting with the purchase.

#### Cost of buy-and-sell agreement

Applicable if you paid a lawyer or broker for its preparation.

**Financing fees** These might be bank service charges or other fees associated with financing or securing a loan.

**Initial examination of property** Time spent (recorded as hours), directly related phone costs, appraisal fees, and any travel expenses (including lodging and meals).

**Survey costs** Associated with the accurate determination and designation of property boundaries.



Tom Kiehl, OSU Extension Service

**Mortgage and interest payments** That portion of principal and interest (monthly or annual) payments applicable to the woodland, excluding your residence.

**Recording fee** Due when the deed and other documents (rights-of-way, easement, etc.) are officially recorded in the county registry of deeds.

**Subdivision or zoning costs** Often necessary if the sale comes under the jurisdiction of local or state land use regulations.

**Title examination fee** Charged for the clarification of title and ownership provisions and to check on liens against the property.

**Value of the woodland portion of your property** (purchase price or appraised value at the time of inheritance) Assign values to both land and timber and record them separately. It is best to have the timber appraisal done by a qualified timber appraiser so that the information will be both accurate and more readily accepted by the Internal Revenue Service (IRS).

### Taxes

#### Severance and Forest Products

**Harvest taxes** Associated with product harvest (see OSU Extension publication EC 1151).

**Estate or inheritance tax** Federal and/or state tax on the value of the inheritance.

**Property tax** Record annual property taxes for your woodland separately from your residence and farm land. Such a breakdown should be available on local tax records. If you acquire or sell property,

include only the portion of annual property taxes for which you were liable in that tax year.

**Income tax** Remember that your Oregon and federal income tax returns are valuable parts of your woodland operation records, especially federal Form T (“Forest Activities Schedule”). File copies of the return, and all supporting documentation related to forest operations, with your woodland records.

### **Access and transportation**

#### **Leases, rights-of-way, and easements**

Periodic and one-time costs affecting the ownership or control of your woodland. Examples include road use or rock removal.

**Access roads** All material and labor costs of constructing and maintaining (erosion control, seeding, ditching) temporary and permanent access roads. Include maintenance and construction of bridges and culverts.

**Boundary maintenance** Cost of labor and material (paint, flagging, fencing, posts). Include material and labor costs involved in posting your property to restrict its use, such as “no hunting” and “no trespassing.”

### **Equipment**

**Cost of rental, purchase, or operation of equipment and needed supplies** Most of the equipment and supplies will qualify for either long-term tax advantage (depreciation) or for immediate tax advantage (expensing). You or your accountant should:

- Review the current IRS depreciation and expensing provisions, and
- Establish depreciation schedules for all your depreciable business assets.

Depreciable assets might include saws, tractors, trucks, skidders, winches, major equipment parts and repairs, log splitters, and portable sawmills.

“Expensible” assets might include aerial photos, axes and wedges, maps, boots, hard hats, and other safety gear; and interest, freight, or financing fees paid on equipment and supplies.

Be sure to record mileage for all vehicles used in your woodland operation.

### **Stand management**

These activities may involve both your own and hired labor. For hired labor, record the time spent and wages paid. For your own labor, record your time spent.

If you hire the work done, you can hire either employees or a contractor. Hiring employees requires more extensive record-keeping than we can present here. Consult your accountant and/or the state revenue and state employment agencies for further information.

**Site preparation** Cost of materials (herbicides, etc.) and/or time spent in preparing the site for regeneration following a timber harvest.

**Tree planting and/or seeding** Cost of trees and/or seeds and the labor to reforest or develop wildlife habitat.

**Inventory** Cost of labor and materials to collect data about your woodland, from timber cruises and stocking surveys.

**Timber stand improvement** Includes management practices in immature forest stands such as weed control, pruning, and



Linn Ketteman, OSU Extension Service

precommercial and commercial thinning. These might be performed several times during the rotation.

Record how much of your own time you invest and the cost of contracted labor. Be sure to record the quantity, grade, and value of any commercial products harvested.

Maintain a “master” map of your property showing locations of all ongoing and completed activities. Record on that map when and where each of these activities occurs. Use individual stand maps to record additional detail if you wish.

**Timber losses** Volume and cost of losses caused by fire, insects, disease, theft, weather, and loss to trespass cutting.

**Harvest operations** Removal of logs, cordwood, or other forest products, whether for your own use or for sale. Include your own or hired labor, trucking, scaling, etc. Be sure to record volumes and grades removed and the exact location and date of the operation.

Record any other considerations (wood in trade for labor, etc.) or expenses. The expenses might include advertising, marking timber, preparing a contract, cruising, administering a timber sale, and scaling.

### **Other costs**

**Legal costs** Some situations may require further legal action to obtain clear title, provide for partnerships, rights-of-way or easements, etc. Other legal costs might involve timber trespass, boundary disputes, property condemnation, bankruptcy expenses, and fees for preparing a will.

**Management plan** Record the date, materials, and labor involved in preparing a management plan (whether prepared by you, a private consultant, or a government organization such as the Oregon Department of Forestry). Sound forest management requires that you prepare a management plan, review it regularly, and update it. Well-prepared plans and maps provide direction and a timetable for management activities according to your long-range goals.

**Bank service charges** on checking and savings accounts related to woodland operations.

**Dues paid to organizations and associations** (such as the Oregon Small Woodlands Association) whose primary concern is with the ownership and management of forest land.

**Educational expenses** Examples include cost of publications and books purchased for use in your operation management, the cost of seminars, workshops, and annual meetings, and the cost of travel to visit other tree-farming operations, attend educational events, etc.

**Office expenses** Include supplies and materials and long-distance telephone charges.

**Insurance costs** For liability, fire, etc.

**Other management-related construction on your property** Examples are: buildings or sheds devoted exclusively to management (e.g., equipment sheds); building and maintaining fire lanes; wildlife habitat improvement; stream bank stabilization; water diversion or drainage structures; and gravel or rock removal.

---

## **How to record it**

Any recordkeeping system will require an investment of your time—but how much time is difficult to predict. The more complex your woodland operation or record-keeping system, the more time you’ll have to invest.

Record the time you spend in keeping records as you’d record any other activity in managing your property—just like planting, harvesting, or road construction. The benefits of recordkeeping may seem to appear only on paper; however, recordkeeping can generate genuine profit (for example, through better decisions and lower taxes), just like activities that yield tangible products.

Figure 1.—A sample journal page

## A simple system for small woodland owners

Recordkeeping systems may be classified as either single-entry or double-entry. This publication presents a single-entry system adequate for most woodland owners. More complicated business enterprises often need the extra detail of the double-entry approach.

Single-entry systems are so named because each transaction has only a *single* entry in the system, usually in a journal-style page (Figure 1, page 6). Each entry must be complete and follow the 4-D approach. At the minimum, all you need to do is complete the journal pages as the activities occur. These pages will fulfill every recordkeeping objective listed on page 1, and they'll be useful to accountants and tax professionals who may keep your formal business books or prepare your taxes. Single-entry systems are quick and simple. They do, however, lack the "double check" or balancing mechanisms that are the foundation of all double-entry systems.

As the name implies, in double-entry systems each transaction has *two* entries, first as a debit and second as a credit. At the end of each accounting period, when all accounts are summarized and balanced, the debit and credit totals must balance (the "double check"). Double-entry systems are more common in large or quite active businesses. "Typical" woodland owners usually find double-entry systems to be overkill. However, if you're interested in this type of bookkeeping, or you think that your operation needs this level of accounting sophistication, we encourage you to consult a competent accountant.

### One step beyond the basics

If you want to be more involved with the actual accounting phase of your woodland operation, you may go one step further. This involves designating accounts for your operation (Figure 2, page 9). Each account is established on its own account page. Transaction details are then transferred from the journal onto the appropriate account pages. The collection of account pages, usually in a separate book, is called the ledger or ledger of accounts.

**Table 1.—Examples of manual recordkeeping systems.**

#### General systems

Dome Simplified Monthly Bookkeeping Record<sup>1</sup>  
Ideal Bookkeeping and Tax Record—General Business<sup>1</sup>  
One-Write System<sup>2</sup>

#### Systems customized for woodland businesses

Financial Record Book for Timber Growers, 4th edition<sup>3</sup>

<sup>1</sup>Dome Publishing Co., Inc., 10 New England Way, Warwick, RI 02886.  
[www.domeproductsonline.com/](http://www.domeproductsonline.com/)

<sup>2</sup>Available from various business-supply sources:  
Data Business Systems, Inc., P.O. Box 780, Flanders, NJ 07836.  
[www.databusinesssystems.com/](http://www.databusinesssystems.com/)  
McBee, 2000 S. Thompson St., Flagstaff, AZ 86001-8759.  
[www.mcbeeinc.com/](http://www.mcbeeinc.com/)  
One-Write Systems.  
[www.One-Write.com/](http://www.One-Write.com/)

<sup>3</sup>University of Wisconsin, Department of Forest Ecology and Management, 120 Russell Labs, 1630 Linden Dr., Madison, WI 53706

For most woodland operations, the set of basic accounts shown in Figure 2 is adequate. In consultation with your accountant, banker, and financial or tax adviser, you're encouraged to tailor the full set of accounts to your specific operation.

The Capital or Asset Account records values of assets (land, buildings, equipment, timber, roads, etc.) whose useful lives exceed 1 year.

The Operating or Expense Account records expenses needed to produce the present year's income (insurance premiums, flagging, paint, etc.).

Note that there is duplication between accounts. Equipment, for example, is found in the Asset Account and in the Expense Account.

Equipment in the Asset Account refers to vehicles, buildings, and other major assets and improvements to assets. In the Expense Account, equipment refers to routine supplies (gas, oil, etc.) and repair and maintenance costs.

When you make account and sub-account assignments, be sure to consider first whether expenses are for capital assets or operating expense, and then to what sub-account they pertain.

Figure 3, page 12, shows a few examples. If you're not sure what account an entry pertains to, record as much detail about the

**Table 2. Checklist for evaluating manual recordkeeping and accounting systems.**

Name of system \_\_\_\_\_

**General**

- General instructions
- Explanation of accounts and transactions
- Completed examples
- Tax calendar
- List of legal tax deductions
- Payroll information

**Income and expense categories/accounts**

- Total number \_\_\_\_\_
- Number predefined \_\_\_\_\_
- Number user-defined \_\_\_\_\_

**Worksheets**

- Monthly income/expense records
- General ledger records
- Accounts receivable
- Accounts payable
- Inventory
- Merchandise/material purchased
- Plant/equipment purchased
- Monthly bank/checking account record
- Depreciation record

**Payroll**

- Employee records
- Payroll records

**Summary**

- Monthly (annual) income statement
- Balance sheet
- Net worth statement
- Annual tax summary

**Other**

- Bad debts
- Insurance records
- Notes payable
- Blank forms
- Accommodates additional forms

Approximate cost \$ \_\_\_\_\_

activity as possible and leave the account column blank. Then, when you meet with your accountant or tax adviser, you'll have enough information to decide the appropriate account.

Remember: While this step of designating accounts isn't *required* for adequate records, it will be necessary for the preparation of your income tax return and other financial matters.

## Commercially available systems

### **Manual systems**

Several manual recordkeeping systems are available from office supply and stationery stores and online sources (Table 1, page 7). Most are organized into books of preprinted columnar pages with instructions for use. Some have sets of refill pages that are sold separately.

In some of the systems, accounts are pre-designated and entered on the blank forms. Other systems allow you to designate all the accounts. With a little work, you can transform all the accounts described in Figure 2 into the format used by nearly any of the preprinted general business systems. At least one system is specifically for woodland business recordkeeping.

While most manual recordkeeping and accounting systems perform similar functions, their specific features do vary. When selecting the best system for you, comparing the features of several systems is valuable. The checklist in Table 2 contains a composite list of the major features woodland owners may need. Few systems will have all of these features. Few owners need all of them. Begin by identifying the features you need in a system. Then, complete checklists for the systems you're considering. Finally, compare the checklists and select the system whose features most closely meet your needs.

Figure 2.—Typical accounts and sub-accounts used in woodland management.

### ***Capital or asset account***

#### Timber

##### Merchantable

- Value and volume
- Cost of stand improvements
- Cost of acquiring merchantable timber

##### Premerchantable

- Value and area
- Cost of stand improvements
- Cost of acquiring premerchantable timber

#### Reforestation

##### Seeds and seedlings

##### Labor and tools

##### Replanting costs

##### Vegetation control until seedlings are established

#### Nondepletable assets (record: value, quantity/miles, acquisition cost)

##### Land

##### Permanent roads

##### Permanent fire lanes

##### Permanent rights-of-way

#### Depletable land assets (record: value, quantity/miles, acquisition cost)

##### Gravel, sand, stone

#### Depreciable assets (record: value, quantity/miles, acquisition cost)

##### Temporary roads (life exceeds 1 year)

##### Culverts and bridges

##### Fences

##### Tools (life exceeds 1 year)

##### Equipment and machinery

##### Buildings

### ***Operating or expense account***

#### Property taxes

#### Hired labor costs

#### Premiums for liability insurance

#### Interest payments on loans taken for property acquisition or improvement

#### Equipment

##### Operation

##### Rental

##### Routine maintenance

#### Stand improvement activities

#### Professional services not part of a product sale (accounting, legal, investment, or tax advice)

#### Materials and supplies (flagging, fencing, paint)

#### Travel to and from your woodland

#### Association dues, publication subscriptions, and other forest business management expenses (workshops, meetings, tours)

#### Inventory and cruise costs if not part of a timber sale or land purchase

#### Fire protection assessment

### ***Income account***

#### Harvesting operations

##### Revenue received

##### Sale expenses (includes: advertising, marking, professional fees, cruise, boundary survey)

#### Land disposal

#### Incentive payments

#### Other revenue

## **Computerized systems**

Personal computers and an abundance of relatively inexpensive software have revolutionized recordkeeping and accounting. Recordkeeping software allows you to accomplish the same tasks that you would by hand—but without the tedium of manual calculation—and, do it faster and often more accurately.

These programs often perform more tasks than you'd want to do yourself and many that you might commonly ask an accountant, bookkeeper, or tax adviser to do—but they don't replace that person's expertise and knowledge. To use the software effectively, you'll need to understand the basics of accounting and bookkeeping.

To get the recordkeeping system that best meets your needs, you must choose carefully from the many software programs available. Table 3 lists some of the recordkeeping and accounting software available. When selecting the best software, just as with the manual systems, you'll want to compare the features of several programs. Use the checklist in Table 4 (page 13). Gather information on several programs and compare them. Finally, select the one whose features best match your needs.

---

## **Making the system work**

### **Implementing the system**

If you're not currently using a recordkeeping system, the best time to begin doing so is now! Further delay can deprive you of important information and documentation to better understand and run your woodland operation.

#### **Step 1—Evaluate your needs**

The best recordkeeping system for you will be the simplest one that meets your needs. Begin by reviewing your most recent federal and state tax returns. Talk with your accountant and/or tax adviser.

#### **Step 2—List revenues and expenses**

Do this even if your woodland operation is not a bona fide business in the legal sense. The items listed under "Revenue" (page 2) and "Expenses" (page 3) may not match your situation exactly, but they will help you get started.

#### **Step 3 (optional)—Establish accounts**

If you choose to maintain accounts, use Figure 2 (page 9) and your own list of revenues and expenses to define the accounts. Preprinted ledger or journal paper is widely available, or you could use the sample journal page (Figure 1, page 6). To meet IRS recordkeeping requirements, be sure to provide space at least for the activity's four D's (Date, Dollars, Detail, and Direction).

#### **Step 4—Organize your system**

If you're constructing your own system, you'll probably find a notebook or large folder with pockets convenient. The IRS does not require you to keep records in a bound or any other specific type of book. Anything that holds the papers, is readily accessible and portable, and is easy to work with is adequate. One good combination is a three-ring notebook to hold the recordkeeping pages and some manila pockets or envelopes with punched holes, to hold loose papers and receipts.

### **Managing the system**

#### **Keep it current**

Once established, your recordkeeping system—just like your woodland—will require some tending. You must either spend some time with it yourself or arrange for someone else to do so. The time required will be directly related to the level of activity in your operation and the complexity of your recordkeeping system. A large, actively managed woodland will require daily or weekly recordkeeping attention. The smaller or less active operation will involve less frequent recordkeeping.

Recordkeeping should be done at least monthly. When you must reconstruct and/or summarize activities farther back than 1 month, you often lose details, which defeats the reason for having a recordkeeping system.

### **Review periodically**

You also should monitor and record your time and money spent in recordkeeping. If either becomes excessive, or if the job becomes unreasonably tedious, it's time to evaluate your system. Its original purpose may have become obscured. You may need to change part or all of the system. It may be time to obtain professional assistance.

Reviewing your recordkeeping system is necessary even when things are going well. To maximize your efficiency and minimize your effort and cost, you should regularly consider questions such as "Are things still running smoothly? Is the system still meeting my needs? Is there a better and/or easier way?"

Such a review is recommended at least twice a year. If things are going well, the review will go quickly. You'll be able to sense when problems exist and when the system needs further examination.

### **Decide what to save**

Sometime during your periodic system review, you'll wonder, "Can't I discard some of this?" The answer is "Probably—but do it carefully!"

The IRS says, "You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Generally this means you must keep records that support an item of income or deduction on a tax return until the period of limitations for that return runs out. The period of limitations is the period of time in which you can amend your return to claim a credit or refund, or the IRS can assess additional tax." Depending on the situation, periods of limitations currently are as short as 3 years and as long as forever.

Keep income tax records up to 3 years after you file the return, and keep employment tax records 4 years after you file the

**Table 3.—Examples of computer software for recordkeeping and accounting.**

#### **General systems**

Quicken<sup>1</sup>

QuickBooks<sup>1</sup>

Microsoft Office Accounting<sup>2</sup>

Microsoft Office Small Business Accounting 2006<sup>3</sup>

Microsoft Money 2007<sup>4</sup>

Peachtree by Sage First Accounting 2007<sup>5</sup>

Peachtree by Sage Pro Accounting 2007<sup>6</sup>

<sup>1</sup>Intuit Publishing Co., Inc., 2632 Marine Way, Mountain View, CA 94043. [www.intuit.com/](http://www.intuit.com/)

<sup>2</sup>Microsoft Corp., 1 Microsoft Way, Redmond, WA 98052. [www.microsoft.com/office/accounting/](http://www.microsoft.com/office/accounting/)

<sup>3</sup>Microsoft Corp., 1 Microsoft Way, Redmond, WA 98052. [www.microsoft.com/smallbusiness/products/office/accounting/detail.mspx](http://www.microsoft.com/smallbusiness/products/office/accounting/detail.mspx)

<sup>4</sup>Microsoft Corp., 1 Microsoft Way, Redmond, WA 98052. [www.microsoft.com/money/default.mspx](http://www.microsoft.com/money/default.mspx)

<sup>5</sup>Sage Software SB, Inc., 1505 Pavilion Place, Norcross, GA 30093. [www.peachtree.com/peachtreeaccountingline/First/](http://www.peachtree.com/peachtreeaccountingline/First/)

<sup>6</sup>Sage Software SB, Inc., 1505 Pavilion Place, Norcross, GA 30093. [www.peachtree.com/peachtreeaccountingline/Pro/](http://www.peachtree.com/peachtreeaccountingline/Pro/)

return or pay the tax. There is no limit on how long the IRS may act in cases of fraudulent returns or failure to file a return.

From all of this, we have devised the "4/7 Forever" general rule and memory aid. When deciding whether to save or discard, just remember to "keep records pertaining to employees a minimum of 4 years; recordkeeping documentation (cancelled checks, receipts, bills, bank statements, etc.) a minimum of 7 years; and records documenting basis, other depreciable assets (machinery, equipment, etc.), and the actual tax returns forever."

Records verifying the property's original and adjusted basis should be kept, the IRS says, "until the period of limitations expires for the year in which you dispose of the property in a taxable disposition." Keep copies of filed tax returns even beyond the statute of limitations—they may be useful to your estate executor or administrator.

From a personal standpoint, you'll undoubtedly want to keep certain records

Figure 3.—A sample journal page with typical entries.

**Table 4. Checklist for evaluating computerized recordkeeping and accounting systems.**

<b>Name of system</b> _____	
<b>Accounts</b>	
Number of accounts	
Checking _____	
Savings _____	
Money market _____	
Other _____	
<input type="checkbox"/> Prints checks	
<input type="checkbox"/> Reconciles accounts	
<b>Income and expense categories/accounts</b>	
Total number _____	
Number predefined _____	
Number user-defined _____	
<input type="checkbox"/> Handles split transactions	
<input type="checkbox"/> Sorts transactions	
<input type="checkbox"/> Budget forecasting/goal planning	
<input type="checkbox"/> Online calculator	
<input type="checkbox"/> Online address book	
<input type="checkbox"/> Auto entry of transactions	
<input type="checkbox"/> Tax program available	
<input type="checkbox"/> Loan amortization schedules	
<b>Reports</b>	
<input type="checkbox"/> Creates graphics	
<input type="checkbox"/> Income/expense summary	
<input type="checkbox"/> Actual vs. budget amounts	
<input type="checkbox"/> Net worth statement	
<input type="checkbox"/> Balance sheet	
<b>Technical assistance</b>	
<input type="checkbox"/> Clearly written instructions	
<input type="checkbox"/> Online tutorial	
<input type="checkbox"/> Telephone assistance available	
<b>Approximate cost \$</b> _____	
<b>Computer systems supporting</b> _____	
<b>Computer system requirements</b> _____	

longer than required for tax purposes. Maps, photographs, deeds, bills of sale, scaling tickets, personal notes, and letters may have practical or personal value.

Although it requires extra effort, you should protect certain records by storing duplicates in a safe location away from the original documents. A safe deposit box in a bank is an excellent place. A lockable, fireproof file box or home safe may be good enough.

Keep completed tax returns and copies of records that establish property ownership, original property basis, and income-producing activities. When you periodically review your recordkeeping system, remember to evaluate whether any new material needs to be duplicated and the originals put in the safe deposit box.

Wherever you store your primary collection of records, organizing them in a folder, notebook, or file box will make them easier for you or someone else to use. Be sure to tell someone about your recordkeeping system and where your records are located. Keep your spouse and family members informed.



LOW KERCHIN, OSU EXTENSION SERVICE

## Conclusion

Capturing the facts and figures from your woodland operation and turning the seemingly disjointed and unrelated data into usable information is what recordkeeping is all about. It's just as important as other management activities done on your property.

Many recordkeeping systems are available. It's not important that you use the most sophisticated and/or computerized system. The important thing is that the system meets your needs and that you use it regularly.

Like the more visible activities on your woodland, good recordkeeping will contribute to the profit from your woodland and help assure achievement of your ownership objectives.

### **Get special help**

Finally, there will be times when you'll need assistance with your recordkeeping system. Remember: You're keeping records for a reason. An important one is to help in tax preparation. The IRS, your state tax or revenue agency, and your tax adviser can assist with specific tax issues. Other sources of assistance include your accountant, banker, lawyer, county Extension agent, state forestry department or agency, stewardship forester, and consultant forester.

Although at times it's difficult for any of us to ask for help, when you have recordkeeping questions and/or problems, it's especially important to get competent advice immediately. The expense and headache of straightening out an incorrect procedure or misunderstanding and rectifying the books increases with time.

---

## For more information

### **OSU Extension publications**

*Management Planning for Woodland Owners: Why and How*, EC 1125

*Taxes and Assessments on Oregon Forest Land and Timber*, EC 1151

*Managing A New Business: A Beginner's Guide to Financial Concepts and Tools*, EC 1222

To view and order copies of the above publications, or to order additional copies of this publication (EC 1187), visit Extension's online catalog at <http://extension.oregonstate.edu/catalog/>

Or, contact:  
Publication Orders  
Extension & Station Communications  
Oregon State University  
422 Kerr Administration  
Corvallis, OR 97331-2119  
Toll-free 1-800-561-6719  
Fax 541-737-0817  
Email [puborders@oregonstate.edu](mailto:puborders@oregonstate.edu)

Quantity discounts are available; please call 541-737-2513 for price quotes.

### **IRS publications**

*Accounting Periods and Methods*, U.S.  
Department of the Treasury, IRS  
Publication 538 (U.S. Government  
Printing Office, Washington, DC, 2004).  
No charge.

*Farmer's Tax Guide*, U.S. Department  
of the Treasury, IRS Publication 225  
(U.S. Government Printing Office,  
Washington, DC, 2005). No charge.

*Recordkeeping for Individuals*, U.S.  
Department of the Treasury, IRS  
Publication 552 (U.S. Government  
Printing Office, Washington, DC, 2005).  
No charge.

*Starting a Business and Keeping Records*,  
U.S. Department of the Treasury, IRS  
Publication 583 (U.S. Government  
Printing Office, Washington, DC, 2006).  
No charge.

*Tax Guide for Small Business*, U.S.  
Department of the Treasury, IRS  
Publication 334 (U.S. Government  
Printing Office, Washington, DC, 2005).  
No charge.

*A Virtual Small Business Tax Workshop  
DVD*, U.S. Department of the  
Treasury, IRS Publication 1066C (U.S.  
Government Printing Office, Washington,  
DC, 2006). No charge.

Order IRS publications online at <http://www.irs.gov/formspubs/index.html> Or, call the IRS Tax Forms Distribution Center at (toll-free) 1-800-829-3676.

### **Other publications**

*Financial Record Book for Timber Growers*,  
4th ed. 2003. Jeffrey C. Stier. Order  
from Department of Forest Ecology  
and Management, 120 Russell Labs,  
University of Wisconsin, 1630 Linden  
Drive, Madison, WI 53706. Currently  
\$10 + \$1.50 shipping & handling.

*Forest Owners' Guide to the Federal  
Income Tax*, USDA Forest Service  
Agriculture Handbook 718, March 2001.  
Currently out of print but available at no  
charge online at <http://www.timbertax.org/>

---

Trade-name products and services are mentioned as illustrations only. This does not mean that the Oregon State University Extension Service either endorses these products and services or intends to discriminate against products and services not mentioned.

---

© 2007 Oregon State University. *The Woodland Workbook* comprises some 60 publications prepared by Oregon State University Extension foresters specifically for owners and managers of private, nonindustrial woodlands. Workbook publications contain information of long-range and day-to-day value for anyone interested in wise management, conservation, and use of woodland properties. Publications are available for purchase separately. For information about how to order, and for a current list of titles and prices, contact the OSU Extension Service office that serves your county. Or, visit Extension's online catalog of educational materials at <http://extension.oregonstate.edu/catalog/>

This publication was produced and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

Oregon State University Extension Service offers educational programs, activities, and materials without discrimination based on age, color, disability, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, or veteran's status. Oregon State University Extension Service is an Equal Opportunity Employer.

---

Published June 1986; revised March 2007.