A NOTE ON BASIS: The best time to establish basis is immediately after you acquire timber or forestland. Even if you didn't establish your basis right away, it may be worth the effort to do it now, especially if you purchased or inherited the property in the last few years. For purchased forestland, divide your total cost of acquisition proportionately between separate land and timber accounts. For inherited forestland, use the fair market value of the land and the timber at the decedent's date of death (or the alternate valuation date if that was used). For forestland received as a gift, use the donor's basis. A professional forester can help you estimate past timber volumes and values.

This information is summarized from Agricultural Handbook 708, Forest Owner's Guide to the Federal Income Tax.


Understanding Loss Deductions For Yard Trees

The sudden destruction of trees or other yard plants due to a fire, storm, or massive insect attack qualifies for a casualty loss deduction. Unfortunately, the casualty loss rules for personal use property allow deductions only for large losses. To calculate your deduction, start with the lesser of the decrease in fair market value of your property caused by the loss of its basis - usually its cost. Appraisal fees and other costs of determining your loss do not add to the loss, but you can take them as itemized deductions on Form 1040, Schedule A. Subtract any insurance or other reimbursement you receive for the damage (if the reimbursement is more than the loss, you may have a taxable gain). Next, combine all losses caused by the same event and deduct $100. Finally, combine all losses from all events during the year and subtract 10% of your adjusted gross income from Form 1040, line 33. The amount left is your deduction. Form 4684, Section A, steps you through the calculation. This information is summarized from IRS Publication 17, Your Federal Income Tax for Individuals, 1997, and Agricultural Handbook 708, Forest Owner's Guide to the Federal Income Tax.

- John Greene, Forest Economist, USDA Forest Service, Southern Research Station, New Orleans, Louisiana

The Outdoorsman Agency

Offers An Exclusive Commercial General Liability Insurance Program Endorsed By ACF

Important Features:
• Carrier is rated "Excellent" by A.M. Best Company
• Coverage available nationwide to ACF members only
• Fast telephone quotes for most operations
• Broad specialty coverages tailored to your needs with a choice of limits

800-849-9288 • Fax (803) 484-9288
P. O. Box 151, Bishopville, SC 29010

THE CONSULTANT, FALL 1998 13