

Top Ten Ways to be Tax Smart

Presented by Ilene Waldorf

- Keep a separate checking account for your timber operations and use it for everything related to your tree farm.
Easier at tax time to pull out all the expenses you incurred during the year, rather than having to remember what you paid for and have to hunt the expenses down
- Establish your basis in your tree farm land and timber.
Once you have established a basis in your timber and other assets (buildings/fences/roads) you can utilize depreciation and depletion to recover your investment in your tree farm assets
- Develop a management plan for your tree farm.
Helps to establish your intention to treat your tree farm as a business
- Keep a diary of everything you do on your tree farm –
Day to day activities
Extra things you do like attending classes and reading publications
Meetings with family members to discuss activities-past, present and future
Helps to establish your “material participation” in your tree farm so your expenses can be deductible annually.
- Keep track of the “off road” fuel you use in your equipment.
Fuel tax paid on gas, diesel and oil used in equipment is eligible for the fuel tax credit
- Keep a mileage log for each of your vehicles.
You can recover the cost of operating your vehicle for tree farm purposes by allocating those cost based on the percentage you used your vehicle(s).
- Have a periodic review with your insurance agent to be sure you are adequately covered for liability issues. Be sure you know the breakdown of the premium you are paying between personal assets and tree farm assets.
Insurance premiums on farm related assets are deductible
- Meet with our accountant (in person) at least once a year and always before undertaking a major project on your tree farm.
A good accountant will be able to help you plan your activities with tax savings in mind
- Be sure you are clear about how to report the income from the sale of your timber!
Make the Section 631A election to take advantage of Federal capital gains rates when you sell timber
- If you have a timber sale, pay Oregon harvest tax payments and Oregon estimated tax payment before the end of the year to use the expense to offset the income