



A newsletter for those interested in Forestry, Woodland Management and Christmas Trees in Northwest Oregon

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2011 is a big year – it marks the 100<sup>th</sup> anniversary of the Oregon State University Extension Service! There will be numerous special events and activities across the state throughout the coming year to celebrate this milestone.

Oregon has changed a lot in the past 100 years. Our population has grown from 700,000 to 3.8 million. In 1911, 54% of the state’s population was rural vs. 46% urban; in 2011, the balance has shifted to about 25% rural/75% urban. The role of the Extension Service has also evolved throughout our history, however at least a few things have remained constant – our deep local connection and our strong foundation on volunteer service. To all of you who have volunteered with Extension – as a Master Woodland Manager, 4-H leader, Master Gardener, or in some other capacity, thank you! See next page for a historic photo of some of our volunteers.

So many woodland owners have an interest in documenting the history of their land and their family’s relationship with it. Lately I’ve heard some fascinating historical accounts from many landowners. Whether it’s a hollowed-out tree, still standing, that a senior landowner recalls hiding in as a child, a road that bears the name of someone’s great-grandfather, or an old survey marker found carved in a stump (left), I am sure there are lots of stories of your own land that are worth documenting. Imagine what Oregonians 100 years from now will think of your legacy.



**1990 MASTER WOODLAND MANAGERS  
Columbia/Washington Counties**



Are you or a family member in this photo?

## Upcoming Events

### ***Woodland Information Night***

***Wednesday, January 12<sup>th</sup>, 2011, 6:30 – 8:30 pm***

***OSU Extension Service – Beaverton***

This free event will provide tips on keeping your woodland healthy, dealing with invasive weeds, planting trees, and finding professional assistance to help you manage your land. See page 7 for details.

### ***The Oregon Woodland Co-op: Diversifying Income Opportunities with Nontimber Forest Products***

***Tuesday, January 18<sup>th</sup>, 2011, 10:30 – 11:30 am***

Webinar – see page 9 for details.

### ***Woodland Management 101***

***Wednesday evenings, February 16<sup>th</sup> – March 16<sup>th</sup>, 2011, 6:30 – 8:30 pm***

***North Plains Fire Station***

This six-session course covers the basics of planning, growing and caring for your forest, and where to go for help. Cost is \$40/\$20 each additional family member. For more information and to register, see page 8 of this newsletter.

### ***Columbia County Small Woodlands Association Seedling Sale***

***March 12<sup>th</sup>, 2011, 8:30 – 2:00***

***St. Helens***

Contact Paul Nys, (503) 556-8800 for details and availability.

### ***Clackamas Tree School***

***Saturday, March 19<sup>th</sup>, 2011***

***Clackamas Community College, Oregon City***

There is something for everyone at this annual event! Course catalogs will be mailed in January. Call (503) 655-8631 to get on the mailing list. Many classes fill quickly, so register early.



## New Publications and Resources

These publications are now available from OSU Extension & Experiment Station Communications. Download online at the links below, or order print copies by calling 800-561-6719.



### **Land Manager's Guide to Aspen Management in Oregon (EM 9005)**

By Nicole Strong, Darin Stringer, Jon Bates, Kirk Davies, et al.

Of interest to eastern Oregon property owners. 80 pages, \$20 or download free of charge at <http://ir.library.oregonstate.edu/xmlui/handle/1957/18399>.

### **Common Insect Pests and Diseases of Shore Pine on the Oregon Coast (EM 9008)**

By James Reeb and David Shaw.

Of interest to coastal property owners. 14 pages, online only at: <http://ir.library.oregonstate.edu/jspui/bitstream/1957/18400/1/em9008.pdf>.

### **Reducing Fire Risk on Your Forest Property (PNW 618)**

By Max Bennett, Steve Fitzgerald, Bob Parker, Marty Main, Andy Perleberg, Chris Schnepf and Ron Mahoney.

Whether you own a few acres or thousands, this publication will help you reduce the potential for wildfire damage on your property while improving overall forest health and wildlife habitat. 40 pages, \$12 or download free at <http://ir.library.oregonstate.edu/xmlui/handle/1957/19402>.

### **Financial Analysis Principles and Applications for Private Forest Lands (WSU Publication EM030)**

By Kevin Zobrist

Determining the value of timbered property and the various ways to manage it can be complicated, but this manual provides plenty of examples, explanations, and tools to make the process understandable for non-economists. Non-monetary forest values such as wildlife habitat and aesthetics are considered as well as the financial returns from harvest. 36 pages, available online at <http://pubs.wsu.edu> or order a print copy from WSU for \$6.00.

### **Mastery of Aging Well** (online learning module)

In partnership with the AARP, OSU Extended Campus, Lifelong Learning and OSU Extension Service have designed an online program consisting of five modules for anyone interested in healthy aging. For details, see <http://ecampus.oregonstate.edu/workforce/aging-well/>.



## **Name the Blog contest**



Among our plans for next year is to develop a **blog** to enhance our distribution of information about woodland management to you, the landowners in Columbia and Washington Counties. However, we need a catchy name for our blog! We have a couple of ideas but if you come up with a better one, you'll win a prize. Vote for your favorite name, or suggest your own, by going to this survey link: [https://surveys.bus.oregonstate.edu/BsgSurvey2\\_0/main.aspx?SurveyID=4018&cmd=survey](https://surveys.bus.oregonstate.edu/BsgSurvey2_0/main.aspx?SurveyID=4018&cmd=survey). Voting closes on December 31, 2010. Watch for our new blog in early 2011!

# Managing your Land with Minimal Impact to Birds

By Amy Grotta and Nicole Strong

The Oregon Zoo recently hosted a workshop on managing land to minimize impact to birds. A huge audience was in attendance, and the myriad speakers provided lots of practical information on the state of bird species in the Willamette Valley and practices that can help species in decline. While much of the information was intended for urban forest or open space managers, much of it could easily translate to small woodland ownerships. Here we present some of the key “take-home” messages and suggestions for management with birds in mind.

## Lesson 1: Timing is Everything

Many species of birds have experienced declining numbers over the past several decades. Birds are most sensitive during the breeding season, which for most birds in the Willamette Valley occurs between mid-April and late July. If a nesting area is disturbed during this time, adult birds may abandon their nests, leaving eggs or hatchlings vulnerable to predators. Learn what birds are present on your property during breeding season, and where (riparian areas, open thickets, meadows, mature forests, etc.) they occur. Then, consider whether your management activities will impact the bird or its nesting habitat. If so, time management activities to occur before or after breeding season. This doesn't mean that you have to give up working on your land at all between April until July. Most birds will fledge (leave the nest) within a couple weeks. If you find a nest with eggs or babies, you might consider holding off on your management for the few weeks until those birds can fly off.

Nesting Season	Dates	Species (example)
Early	Feb 1 – Apr 15	Anna's hummingbird
Primary	Apr 15 – July 31	Chipping sparrow
Late	June 1 – Aug 31	Willow flycatcher

Here is an example of how you can incorporate this line of thinking into a management practice nearly all landowners face: Himalayan blackberry control. Willow flycatchers, a species in decline at the state level, frequently use blackberry thickets to nest. The willow flycatcher is a late nester – its breeding season is June 1 through August 31. From the standpoint of effective blackberry control, late summer is an ideal time to spray or mow; however, cutting or spraying then could directly impact the willow flycatcher. One suggestion would be to wait until September or later to treat the blackberries; however, it would be still be important to ensure that there were alternative breeding habitats available on the property. Additionally, since you are removing habitat, you want to think about what species you promote in place of blackberries. As their name suggests, willow flycatchers prefer willows, or other native thicket-forming plants. It would be important to get these plants established in the blackberries' place, and perhaps leave some small patches of undisturbed blackberry while the native plants are growing in, and then treat them in later years.



Willow flycatcher. Photo: tbtalbottjr, [www.flickr.com](http://www.flickr.com) Creative Commons license

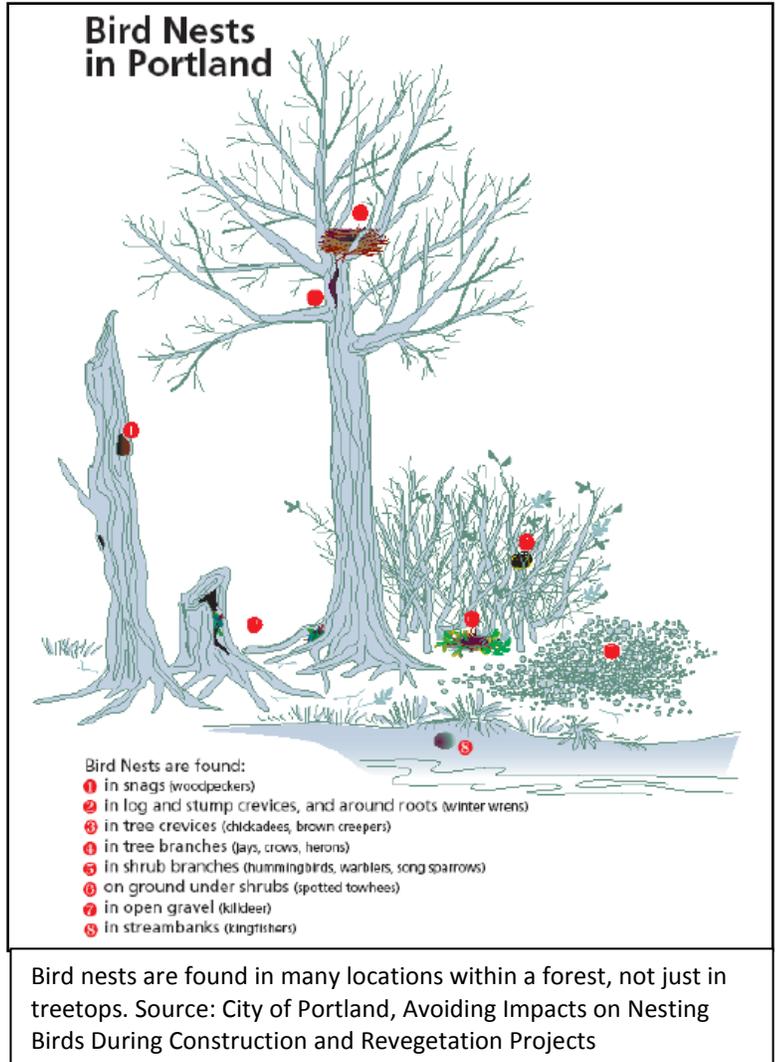
## Lesson Two: Protecting Nests

Most bird species in the Willamette Valley build a new nest each year, so if you encounter an empty nest during the off-season, it is okay to remove it. The nest size, location and construction material can help to identify the species of bird that built it.

(continued next page)

### Lesson Three: Think Low to the Ground: Shrubs, Fields and Meadows

For some people, when managing forests for wildlife habitat is mentioned, what comes to mind are old-growth reserves set aside for spotted owls, marbled murrelets, or other high-profile endangered species. However, it is important to remember that there are dozens of other declining bird species that use open fields, meadows, and nest in shrubs in young forests, or under trees on private lands. Let's work to protect them too, before it's too late; this is in your best interest also. If you manage your land for multi-purposes voluntarily now, you are less likely to feel pressure from more regulations in the future.



#### For more information:

Oregon Conservation Strategy

<http://www.dfw.state.or.us/conservationstrategy/>

*Identifying priority species and their habitats* – publication you can get directly from the Oregon Forest Resources Institute, <http://www.oregonforests.org>, or at your local OSU Extension office

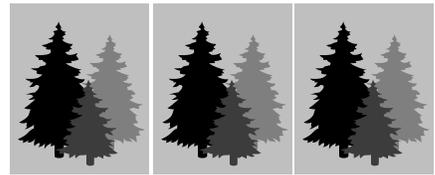
Audobon Society of Portland – offers classes, local birding resources: <http://audubonportland.org/>

<http://birdnotes.net/> – bird lists from around the PNW

Cornell Lab of Ornithology All about Birds – Interactive website with bird calls, ranges, habitat and resources: <http://www.allaboutbirds.org>

## Water and Weight Loss in Displayed Christmas Trees

By Chal Landgren, OSU Christmas Tree Specialist



How much water will a Christmas tree use during the time it is set up in your home? That was the question I asked a group of ten friends and staff at OSU's North Willamette Research and Extension Center (NWREC). As you might expect from any good research organization, that created a perfect excuse to set up a small experiment.

So, for the privilege of getting a "free" 7-8 ft. noble fir Christmas tree, I attached some "strings" to the "free" part. The "strings" required each homeowner to record the amount of water they gave each tree during the trial. Also each person was given a "Hobo" device attached to the tree. The Hobo records the temperature in the room every 5 minutes for a month. Also, we weighed each tree prior to set-up and after removal. Each person used the tree stand they typically used and watered the tree as best they could remember without any extra reminders or badgering.



The results from this 10-tree demonstration are interesting. For these trees, the average display period was 26 days. The length varied from 16 to 43 days. On average the trees (7-8 ft. tall) weighted 14 pounds less on the day they were removed from the house than when they were first set up.

The water use of the trees, as you would expect, was high at first and tapered off rapidly towards the end of the 26 days. Average water use per day was 12.3 liquid ounces. Over the display period, the average per tree consumed 9 quarts of water.

Average inside temperature varied widely from house to house. One person had an average temperature of 60 degrees F; another 68 degrees F. So in one home, they likely wore sweaters inside; in the other, a T-Shirt. And the trees water use followed suit. In the cooler home, water additions were low; in the warmer home, water use was nearly triple homes having lower inside average temperatures (the average home was 65 degrees F). This temperature and water use correlation has obvious implications for trees shipped to warmer climates.

There were no big surprises in the general trend of tree water use and weight loss. I was somewhat surprised to see the extent that average room temperature had on water use. The message, as always, is KEEP WATER IN THE STAND. And if the room is warm, plan on checking the stand often.

# Woodland Information Night

Wednesday, January 12<sup>th</sup>, 2011

6:30 – 8:30 pm

OSU Extension Service – Washington County  
18640 NW Walker Rd., Beaverton

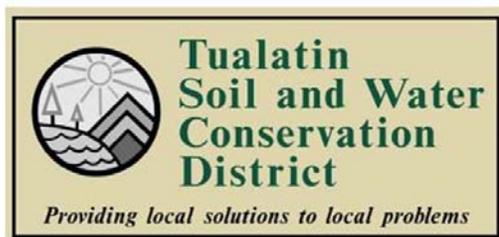
Do you want to get more involved in taking care of your wooded property, but are unsure of where to start? Then make a New Year's resolution to attend Woodland Information Night. You'll get tips on:

- Keeping your woodland healthy
- Dealing with noxious weeds
- Protecting your property from fire
- Planting trees
- Finding professional assistance to help you achieve your goals



Contact Amy Grotta, 503-397-3462 for more information. For directions, go to: <http://extension.oregonstate.edu/washington/find-us>.

Co-sponsored by the Tualatin Soil and Water Conservation District and OSU Extension Service.



# Woodland Management 101

February 16<sup>th</sup> – March 16<sup>th</sup>, 2011



If you have a parcel of forestland, or are intending to buy one someday, then this course is for you. Designed by OSU Extension's Forestry team, this six-session course covers what you need to know, and who you might want to contact to begin taking care of your forest. Sessions will be held at the North Plains Fire Station, 31370 NW Commercial St., except for the Saturday field trip, which will be on a local forest property.

## Course Schedule

**Wed. Feb. 16th, 6:30 - 8:30 pm:** Introduction; How Your Forest Ecosystem Works; Understanding Forest Soils; Tree and Shrub Identification

**Wed. Feb. 23rd, 6:30 - 8:30 pm:** Management Plans; Successful Reforestation; Sustaining Your Forest - Protection from Insects, Disease and Fire

**Wed. Mar. 2nd, 6:30 - 8:30 pm:** The Science and Art of Silviculture - Thinning, Pruning, and Other Activities; Basic Forest Measurements

**Wed. Mar. 9th, 6:30 - 8:30 pm:** Fish and Wildlife Habitat; Forest Certification; Invasive Weeds

**Wed. Mar. 16th, 6:30 - 8:30 pm:** Taxes and Business Management; Harvesting and Marketing Products from your Woodland; Forest Laws

**Sat. TBD:** Field session - Forest Measurements; Road Maintenance; Fish and Wildlife Habitat, Other Topics

- *Primary instructor for this course is Amy Grotta, OSU Extension Forester for Columbia and Washington Counties.*
- *To attend you must pre-register no later than **February 9th** by completing and mailing/delivering the registration form below.*
- *Cost of the course for instruction and materials is **\$40 per participant and \$20** for each additional participant from one family.*
- *If you provide a legal description of your property, we will provide maps and photos for your property for use in discussing management options.*
- *Questions? Call Amy at the Columbia County Extension Office, (503) 397-3462.*

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## Woodland Management 101 Registration

Name(s): \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Legal description of your forestland: Township: \_\_\_\_\_ Range: \_\_\_\_\_ Section: \_\_\_\_\_

Taxlot number: \_\_\_\_\_

*Make payment to OSU Extension. Bring or mail this form to: OSU Extension Service, 505 N. Columbia River Hwy, St. Helens, 97051.*

## Q and A: Mystery Tree

**Q:**

Maybe you can help solve a mystery. There is a large (maybe 50' tall) deciduous tree in a commercial parking lot that has a broad leaf, shaped somewhat like a heart. Distinguishing features are clusters of capsules (somewhat sticky to the touch) shaped like an acorn with a diameter maybe that of a nickel. Another characteristic is at the top of each capsule is a 5-star brown cap. There might be 15 clusters of capsules at the end of each branch. I took a photo of the leaves and capsules. Any ideas?

--Chris, Tigard



Photo by Chris from Tigard

**A:**

Chris had me stumped (pardon the pun), but Chip Bubl, our Horticultural agent identified the tree as *Paulownia tomentosa* (common name Empress tree or Princess tree). Native to China, it is very fast growing so there has been some research on Paulownia's potential as a plantation forest crop in the Southeastern U.S. or in international agroforestry projects. However, it is also considered an invasive plant, and is on Chip's "Do Not Plant" list. (Although invasive, it is not regulated in Oregon.)



Photo from OSU Department of Horticulture Landscape Plants Information, <http://oregonstate.edu/dept/ldplants/>

### WEBINAR

#### The Oregon Woodland Co-operative: Diversifying Income Opportunities with Nontimber Forest Products

January 18, 2011 from 10:30 am to 11:30 am

This webinar will introduce participants to the Oregon Woodland Cooperative, and the co-op's efforts to help small woodland owners stay economically viable by collectively marketing high-quality, sustainably harvested local forest products. Neil Schroeder and Tom Nygren, current and past co-op presidents, will describe the co-op's current goals, development efforts, and projects to market nontimber forest products. Lita Buttolph of the Institute for Culture and Ecology will describe the support services, tools and resources currently being developed for small woodland owners interested in marketing nontimber forest products. Time will be allotted for questions and discussion.

To register, go to <http://www.elearning.nnfp.org/>. For more information, contact Lita Buttolph with the Institute for Culture and Ecology at [lbuttolph@ifcae.org](mailto:lbuttolph@ifcae.org) or 503-331-6681. For technical assistance with logging on and registering, contact Scott Bagley at the National Network of Forest Practitioners at [scott@nnfp.org](mailto:scott@nnfp.org).



## Tax Tips for Forest Landowners for the 2010 Tax Year

by Linda Wang, National Timber Tax Specialist  
and John L. Greene, Research Forester, Southern Research Station

This bulletin provides tax tips for woodland owners and their tax advisors in the preparation of the 2010 individual tax return. It is current as of September 15, 2010, and supersedes Management Bulletin R8-MB 134. Please be aware that the information presented here is not legal or accounting advice. Consult your legal and tax advisors for more complete information.

### Timber as Personal, Investment or Business Property

The tax rules vary depending on whether your woodland is personal, income-producing (investment), or business property. You must make this determination for your holding each tax year. If you do not have a profit motive, your timber may be personal property, which provides limited opportunities for deductions. If you have a clear profit motive, your property may be an investment property, or it may be business property if your management activity is more regular, frequent, and intensive than required for an investment. A written management plan is one of the best places to document a profit motive. For a timber held as a business, you also must determine whether you materially participate in its operation, in order to establish whether you face restrictions (called *passive loss restrictions*) on the deduction of business losses. The tests for material participation are based on factors including the number of hours of your participation.

**Example 1:** You grow timber for profit and asset appreciation but do not conduct it as a business. Your woodland is investment property.

**Example 2:** You manage your timber as the sole proprietor of a business. You keep business records, including the number of hours of your participation in the business to establish that you materially participate in its operation. Your woodland is business property for tax purposes.

### Timber Sales

The net sale amount, not the gross proceeds from a sale, is taxed. You may deduct depletion (see below) and expenses from the sale. Report the sale of timber held as an investment on Schedule D, as a long-term capital gain if you owned the timber more than 1 year or a short-term capital gain if not. Report the sale of timber held as a business on Form 4797 and Schedule D, whether you sold it outright (lump-sum) or pay-as-cut (sec. 631(b)).

**Example 3:** You sold for \$8,000 standing timber held as investment more than 1 year and incurred \$800 in sales expenses. Assuming your basis in the timber (see below) is zero your net taxable amount from the sale is \$7,200 (\$8,000 - \$800), which you

report on Schedule D. If you held the timber as a business, you would report the sale on Form 4797 and Schedule D.

Income from sale of *cut* (vs. *standing*) timber is taxed in two parts. The difference between the fair market value (FMV) of the standing timber on the first day of your tax year and your basis in it is taxed as a capital gain (to qualify as a long-term capital gain you must have held the timber more than 1 year before cutting it for use in your business). The difference between the proceeds from the sale of the cut products and the sum of the FMV of the standing timber and the cost of converting it into products for sale is taxed as ordinary income (sec. 631(a)).

**Example 4:** You paid a contractor \$2,000 to cut standing timber you had held more than 1 year into logs, then sold the logs to a mill for \$30,000. The FMV of the standing timber was \$23,000 on Jan. 1 and your basis in it was \$1,000. Make a sec. 631(a) election on Form T, Part II. Then report a \$22,000 long-term capital gain (\$23,000 - \$1,000) on Form 4797, and \$5,000 in ordinary income (\$30,000 - 23,000 - \$2,000) on Schedule C.

For 2010, the maximum rate for long-term capital gains is 15%, or 0% for amounts that fit under the ceiling for the 15% tax bracket if added to your ordinary income (\$34,000 for single taxpayers, \$68,000 for married taxpayers filing jointly).

### Installment Sales

An installment sale involves receiving one or more payments after the year of sale. Interest is charged on deferred payments. The advantage of an installment sale is that it allows you to defer tax by spreading your gain over 2 or more years.

**Example 5:** You sold timber for \$10,000 (\$8,000 after deducting depletion and sales expenses) in 2010. The buyer paid you \$5,000 in 2010 and \$5,000 plus interest in 2011. Your gross profit percentage is 80% ( $\$8,000 \div \$10,000$ ). Report only a \$4,000 gain for 2010 ( $\$5,000 \times 80\%$ ), using Form 6252.

### Timber Basis and Depletion

Your basis in purchased timber is the total cost of acquisition (e.g., purchase price, survey, legal fees). Your basis in inherited timber is its FMV on the date of death, but your basis in gifted timber is the lesser of its FMV or the donor's basis. Your basis in land and timber acquired together should be divided in proportion to their FMV and kept in separate accounts. If you didn't allocate basis when you acquired your woodland a professional forester can determine it retroactively, but you should weigh the cost against the potential tax savings.

**Example 6:** In 2010 you bought a deed to 1,000 MBF of timber for a total cost of \$212,000. Your basis in the timber is \$212,000, even though your forester estimates its FMV is \$220,000.

If you have a timber sale or a casualty loss, you can take a deduction against your timber basis. To calculate your depletion deduction for a sale, divide your basis by the total volume of timber (the *depletion unit*) then multiply by the number of units sold.

**Example 7:** Continuing with example 6, you immediately sold 200 MBF of timber for \$220/MBF. Your depletion unit is \$212/MBF ( $\$212,000 \div 1,000$  MBF) and your depletion is \$42,400 ( $\$212 \times 200$  MBF).

### Timber Management Expenses

If you have a profit motive for your woodland, you can deduct ordinary and necessary timber management expenses, such as costs incurred to protect the woodland from insects, disease or fire, control brush, or do a precommercial thinning or mid-rotation fertilization. Management expenses for property held as an investment are subject to a 2% of adjusted gross income (AGI) reduction on Schedule A. In contrast, expenses for business property may be deducted in full on Schedule C. You may add to your timber basis expenses subject to the 2% AGI reduction and recover them when you sell the timber.

### Reforestation Costs

Sec. 194 allows tax deductions for the cost of reforesting your woodland following a harvest or afforesting open land. You may deduct the first \$10,000 (\$5,000 for married couples filing separately) per year of such expenses per qualified timber property. Any additional amount may be deducted (*amortized*) over 84 months. Costs for both artificial and natural regeneration qualify.

**Example 8:** You spend \$7,000 to reforest your woodland following a harvest. If you hold the woodland as an investment, deduct the full amount as an adjustment to gross income on the front of Form 1040; if you hold it as business property, deduct it on Form 1040, Schedule C or F (if you qualify as a farmer; see below).

**Example 9:** You spent \$17,000 to reforest your property. Deduct \$10,000 plus 1/14th of the remaining \$7,000 (\$500) in 2010. Deduct 1/7th of the \$7,000 (\$1,000) in years 2011 through 2016, and the last 1/14th (\$500) in 2017. Report the amortization deductions on Form 4562, Part VI.

### Depreciation, Bonus Depreciation, and First-Year Expensing

Capital expenditures such as those for logging equipment, bridges, culverts, fences, temporary roads, or the surfaces of permanent roads may be deducted (*depreciated*) over the property's useful life. For example light-duty trucks and logging equipment are depreciated over 5 years. You also may take bonus depreciation equal to 50% of the cost of property purchased and placed in service in 2010. If you purchased qualifying property (generally tangible personal property, but not improvements to land, buildings, or components of buildings) for your forest business in 2010, you can elect to expense up to \$250,000, subject to phase-out and business taxable income limitations (*first-year expensing*).

### Cost-share Payments

Sec. 126 allows recipients of payments from approved public cost-share programs to exclude all or part of the payments from their income. Approved federal programs include the Forest Health Protection Program (e.g., the southern pine beetle and mountain

pine beetle cost-shares), the Conservation Reserve Program, Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, and Wetlands Reserve Program. Approved state programs also qualify. The excludable amount is the present value of the greater of \$2.50 per acre or 10% of the average annual income from the property over the last 3 years. You generally cannot claim an exclusion if the cost may be expensed. You also may not claim a deduction for an expenditure reimbursed with the cost share and at the same time exclude the cost share from your income.

**Example 10:** You received a \$4,000 cost-share from the Conservation Reserve Program for your 100-acre woodland. Assuming no income from the property in the last 3 years, you can exclude \$3,275 ( $(\$2.50 \times 100 \text{ acres}) \div 7.63\%$ ). The interest rate is from the Farm Credit System Bank. If you had \$9,600 income from the property, you could exclude the entire cost-share:  $(10\% \times (\$9,600 \div 3)) \div 7.63\% = \$4,194 > \$4,000$ . Attach a statement to your tax return describing the cost-share program and your calculations.

### Casualty and Theft Losses

The loss of timber from a casualty—a sudden, unexpected, and unusual event such as a fire or storm—may result in a tax deduction. The deduction is limited to the lesser of the decrease in FMV caused by the casualty or your basis in the timber block (the area or unit you use to keep track of your basis in the timber that was damaged). Similarly, a theft loss deduction is limited to the lesser of the decrease in FMV or your basis in the stolen timber. A competent appraisal usually is required.

**Example 11:** A fire caused \$5,000 in damage to your timber (\$9,000 before-fire FMV - \$4,000 after-fire FMV). Your basis in the affected block is \$2,000. Your loss deduction is the lesser amount, or \$2,000. Report the loss on Form 4684, Section B, and adjust your timber basis (reduce it to zero) on Form T, Part II.

**Example 12:** Continuing with example 11, you sold the damaged timber for \$2,000 in a salvage sale. You have a taxable gain of \$2,000 ( $\$2,000 - \$0$  basis), but you can defer tax on the gain by using it to acquire qualified replacement property (e.g., reforestation) within the allowable replacement period (generally 2 years).

### Filing Form T

You must file Form T, Forest Activities Schedule, if you claim a depletion deduction, sell cut products under sec. 631(a), or have a lump-sum sale of timber held as business property (sec. 631(b)).

### Schedules C and F

Taxpayers in the trade or business of farming (e.g., crops, dairy, or livestock) file Schedule F. Woodland business owners also file Schedule F if their timber ownership is incidental to a farming operation; otherwise, they should use Schedule C.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

## Log Price Information

Below are domestic prices for delivered logs in Northwest Oregon as reported by the Oregon Department of Forestry for the past five quarters. All values are reported in \$/MBF and are averages of quotes from regional sawmills. Prices for other log sorts and time frames can be found online at:

[http://egov.oregon.gov/ODF/STATE\\_FORESTS/TIMBER\\_SALES/logpage.shtml](http://egov.oregon.gov/ODF/STATE_FORESTS/TIMBER_SALES/logpage.shtml)

Species	Grade	2009 3 <sup>rd</sup> Q	2009 4 <sup>th</sup> Q	2010 1 <sup>st</sup> Q	2010 2 <sup>nd</sup> Q	2010 3 <sup>rd</sup> Q
Douglas-fir	2S	355	400	455	490	415
	3S	320	365	440	465	380
Hemlock	2S	275	310	375	435	350
	3S	260	285	365	375	330
Spruce	2S	320	340	345	435	350
	3S	295	335	340	400	320
Cedar	2S	740	790	820	900	850
	3S	740	790	820	900	850
Red Alder	CR	535	515	520	530	510



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