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## **INCOME TAX SEASON IS HERE**

The income tax filing season is upon us. Almost everyone who has income must file a federal income tax return with the IRS and pay their fair share of taxes.

Not reporting income, including income from the sale of timber, is a crime. The law is clear. Ignorance of the law is no excuse. Dennis Adams, a long-time forester at UNL, says it is unlikely that a taxpayer could convince the IRS that money received from a timber sale is not income. If the IRS chooses, in addition to back taxes, penalties and interest, a tax abuser could be subject to criminal penalties.

The IRS knows from studies that a significant percentage of landowners who sell timber do not report the income. Apparently, some landowners assume that since they don't get a Form 1099 from the timber buyer, the IRS cannot track the timber income. This is true in terms of the automatic computer matching of Form 1099 data with a taxpayer identification number, but there are other ways for the IRS to get this information.

The IRS has been known to contact sawmills and other timber buyers for their sources of timber/logs. IRS agents can then check the tax returns of timber sellers to see if the timber sale income was reported. This is an expensive and time-consuming process for the IRS, but they wouldn't do it if non-reporting of timber sale income was not a significant problem.

A good mind-set at income tax filing time is to assume you will be audited. So remember, take advantage of the tax benefits for timber sales, such as capital gains, depletion, etc. Always report timber sale income on your federal income tax return.

## **IMPROVE NEBRASKA'S WOODLANDS**

Spring is the best time to plant trees in Nebraska, but late fall and winter are good seasons to work in the woods. Cool weather, less interference from shrub and weed vegetation, and no bothersome insects are added incentives for fall/winter woodland improvement work.

Nebraska's woodlands can be managed for multiple benefits including wildlife, recreation, soil and water protection, beauty and wood products (timber, firewood, posts, etc.) Tree crops aren't much different than other agricultural crops except the time to harvest. Both types of crops compete for sunlight, water and nutrients. Weeding, thinning and pruning are common forestry practices used to improve growth and quality of woodlands.

Several forestry cost-share programs are available to lessen initial investment costs. The cost-share rate may be up to 75 percent of the actual cost of planting trees or improving existing woodlands.

For more information, contact any Nebraska Forest Service, Natural Resources Conservation Service, Farm Services Agency, UNL Extension or Natural Resources District offices.



Randy Pryor, Extension Educator  
University of Nebraska-Lincoln Extension in Saline County  
306 West 3<sup>rd</sup> Street, Wilber, NE 68465  
Phone (402) 821-2151 • Fax (402) 821-3398 • e-mail: [randy.pryor@unl.edu](mailto:randy.pryor@unl.edu)