

Know The Value Of Your Timber

COLUMBIA, MO.

How much are your trees worth? A lot of Missouri woodland owners don't know, according to Larry Godsey, an economist with the University of Missouri Center for Agroforestry. Without a good idea of what their assets are worth, landowners risk selling timber for too little-and paying too much in taxes.

As April 15 approaches, Godsey has been getting a lot of calls from woodland owners wondering if they can write off timber losses suffered last May when windstorms and tornadoes ripped through thousands of forested acres in the Missouri Ozarks.

"Many landowners don't have a cost basis in their timber," Godsey said. "If you have no basis, you have no deduction."

Put simply, the cost basis, also known as the tax basis, is what you invested in an asset.

While many woodland owners probably have the cost basis for their entire property-which might include cropland and buildings as well as forest-they may not have established what portion of the original purchase price went to acquiring the timber.

"When you acquire the property, hire a consulting forester to estimate the volume and value of your timber," he said. You can adjust your basis to reflect additional investments-including the forester's fee.

If you have established a basis, you can deduct a portion of that amount, called a depletion allowance, to reduce your tax liability on income from timber sales.

It's possible to retroactively establish a cost basis by hiring a forester to cruise the timber and "ungrow" the trees, but this is a lot more

expensive.

Knowing the fair market value of your timber assets also helps you get a fair price for them.

"People might knock on your door asking for logs and offer \$5,000," he said. That might be tempting-especially in today's depressed timber market-but Godsey advises against taking the first offer that comes along.

"Never sell timber without assistance from a consulting or professional forester," he said. Armed with a pre-harvest inventory, you can solicit written bids, which may vary widely in amount.

Godsey added that a professional forester also can recommend management practices tailored to your goals for the land-such as generating income, supporting wildlife, providing hunting and recreation opportunities, etc.

You can find a qualified forester through the Missouri Consulting Forester Association at <http://www.missouriforesters.com/>.

MU Extension produces a quarterly report on Missouri timber price trends. It is available online at <http://agebb.missouri.edu/mkt/timber/>.

For more information, the following MU Extension publications are available for purchase or free download:

- "Managing Your Timber Sale Tax" (G5056), <http://extension.missouri.edu/publications/DisplayPub.aspx?P=G5056>.

- "Determining Timber Cost Basis" (G5055), <http://extension.missouri.edu/publications/DisplayPub.aspx?P=G5055>.

- "Understanding Casualty Loss of Timber" (AF1014), <http://extension.missouri.edu/publications/DisplayPub.aspx?P=AF1014>. Δ



Link Directly To: **SYNGENTA**