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TREE FARM BULLETIN

Greetings;

Did you do any work on your Tree Farm last year? Did you receive any cost-share funds for work? Did you sell any wood products? It is tax time again and if you did have any expenses or income from your property they may have tax consequences.

The key question the IRS asks when it comes to property is whether it is personal, business or investment property. Rules vary depending on the type of property it is.

Most Tree Farmers in New Mexico own their Tree Farm as personal property. Expenses such as thinning or planting your forest would not be deductible if you hold your Tree Farm for personal purposes. Certain expenses such as surfacing permanent roads, culverts, bridges, fences, etc. are considered capital expenditures and even if the Tree Farm is personal property the expense incurred would add to your basis or cost in the property which later on could be used to reduce your gain if you sell the property.

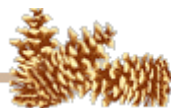
If you had any income from selling firewood, timber, or other wood products from your personal property Tree Farm it could be considered hobby income and would be taxable. Any expenses related to producing this income could be deducted up to the amount of income received.

To be considered business property you need to have a realistic expectation of making a profit and you should have regular sales. You also need to materially participate in the business for losses to be deductible. Income is taxable and expenses can be deducted as business expenses. If you only have occasional sales which the IRS defines as 2-3 sales over a five year period then you can still classify it as business property.

If you receive a 1099 for any cost share work you can exclude up to \$2.50 per acre of this amount from your income. The expense is deductible if your Tree Farm is business property.

As always with taxes, check with your tax advisor about any tax consequences for work done on your Tree Farm. Keep good records!

Harry A. Morrison, Vice Chairman, NM Tree Farm Committee



MESSAGE FROM THE CHAIRMAN: Keep Saturday, 04 May, open for a field day at Carl Struck's Tree Farm near Peñasco, NM on the Cimarron District. We are completing the schedule now and anticipate the following topics: wildlife pond planning and construction, mycoforestry, "Camp Colin" (a documentary), discussion on timber markets in New Mexico, chain saw use/safety, invasive insects, and lastly a tour of the property. Next month's bulletin will have details on the outing. I am deferring my "Walk in the Woods" info until next month. I am renewing my plea for someone to step forward to act as secretary for the committee. It is not an onerous task, but we do need to fill the position after three years without one. Also, I still would like to feature our tree farmers in the monthly bulletin. Please send me your stories for publication.

