TIMBER INCOME TAX
CHAPTER 15

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State tax departments have an incentive to cooperate with the IRS – they share information and piggy back on federal returns.

State tax departments who track Federal rules may find up to 90% of amounts on federal returns that are omitted on state returns.

Most States have limited resources for audit and tax compliance, and most have constitutional provisions for a balanced budget.
Deductions for federal income taxes, tax rate-schedule interaction, standard deductions and exemptions were most important for determining state income tax.

At 8 percent, LEVs ranged 19% to 79% below potential with good tax management as capital gains, expenses, depletion, ITC and reforestation, are omitted.

See also FLA update of southern provisions.
State income taxes increase the total tax levy on timber sale incomes.

Major changes in State taxes occurred following the 1986 Tax Reform Act.

Nathan Smith updated State tax provisions and impact on forestry for the Northeast and Midwest, West, and South for the SAF regional journals.
Maximum effective long-term capital gains rates ranged from 3.92% to 8.25%

As these rates are adjusted they are added to the Federal rate to get a Federal-state effective rate for after-tax returns

Rates after adjustment are sufficient to affect competitive investment returns.