

Pennsylvania Forest Stewards News



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Rights-of-Way and the 1099-S

By Clark Beebe '07

As many Pennsylvania forest landowners are dealing with oil and gas rights issues, once drilling starts, you may be exposed to a little known accounting issue, the 1099-S. We are all generally familiar with the ubiquitous 1099-Misc; but, may not know what a 1099-S is and what to do with it.

If you grant a right-of-way (ROW) for a pipeline or, in some cases, even a road, you may receive at year end a 1099-S for the payment. If so, be aware that the amount reported on the 1099-S is not treated as income and is not reported on your 1040 for that year. A 1099-S is used to report a "permanent" easement across your property. The IRS treats the easement as a permanent surrender of some portion of your property rights. As such the payment is applied as a reduction in your cost basis for the property. If/when the property is eventually sold, the capital gain on the sale would be increased by the amount on the 1099-S. It is therefore almost always in your best interest to receive a 1099-S to avoid current year taxes.

Once I was aware of the distinction between the two 1099s, I questioned the gas company about the characterization of several ROW payments I had received. In response to my questions, they sent me the following:

We report perpetual easements on a Form 1099-S. The Form 1099-S instructions state a perpetual easement as the "rights to possession or use for all or part of any particular year, if such rights

have a remaining term of at least 30 years.

Therefore, the treatment of the payment will depend on the nature of the ROW. If the road ROW is intended to be temporary, the payment will be reported on a Form 1099-MISC. If the road ROW is intended to be for perpetual purposes, the payment will be reported on a Form 1099-S.

Pipelines are normally considered permanent easements. The same goes for compressor sites and well pads. The questions arise when it comes to road ROWs. If the ROW is for a temporary construction access, then it should be reported on a 1099-Misc. If, however, the road access is for a permanent site such as a well pad, compressor site or even on-going maintenance access to a pipeline, then it too should be reported on a 1099-S.

I found that I could challenge the gas company's original characterization of a 1099-Misc payment and get them to reissue the payment on a 1099-S. My experience shows that the gas companies do not always know and follow the letter of the law (probably because it does not matter to them; either way it is an expense). It is therefore up to the landowner to scrutinize all payments and all 1099s and challenge any discrepancies. It can prove to be well worth the effort!

2011 Biennial Survey

It's that time of year again... Time for our PA Forest Stewards Biennial Survey. Many thanks to those of you who have returned your postcard or completed the survey online.

This survey is not only a chance for

us to learn about what you've done in the previous year and share those accomplishments with our funders; it is also a chance for us to check in and see how you're doing.

If you haven't already done so, please either return your survey postcard, or visit <http://www.surveymonkey.com/s/2011PAForestStewardsSurvey> to complete the survey online. Many thanks!

New Yearbook Now Available

We have transitioned to a new directory format. Many of you saw, for the first time, the PA Forest Stewards Yearbook at this year's annual meeting. We're trying to include pictures and biographical information about our volunteers so you can find again that person you enjoyed meeting at an in-service or remember just who else was in your class.

With the addition of a new class of volunteers and other changes in our volunteer group, the yearbook has been updated and is now available.

If you would like a copy for your files, please drop Allyson a note and she will email you the file as a PDF for your use.

Attracting the 2012 Class of Volunteers

It's time to start thinking about who you will nominate for the next class of PA Forest Stewards. Nomination forms will accompany the January/February issue of PA Forest Stewards News. To aid in recruiting and to help make sure the nominees know what they're getting into, we'll be creating a one-page hand-out you can share with folks who would



be good candidates for the training.

We're seeing some decline in application and nominations. By crafting a more informing "package" of information to share, we hope nominees will have more of an idea about what they're being nominated for and be more excited about becoming a new PA Forest Steward.

In addition, in 2012, we'll likely associate a moderate fee with the training. This fee will be assessed to help ensure commitment to the program (we have 1-3 folks each year who just don't show and don't notify us). The fee will be a charitable contribution to the endowment. Scholarships or financial aid will be available to those for whom the fee is prohibitive.

Comparing ourselves to the surrounding states and other peer programs, most others charge for a part or all of the training costs. We've been very fortunate to have been able to offer our programming for free.

In a way, we're preparing ourselves for a time when we may not have grants to fully fund our activities. In another way, we're also asking people to demonstrate, in a small part, their commitment to the program. Combined with more informed resources up front, we hope to attract to and retain in the program many more passionate and interested volunteers.

PA Forest Stewards Steering Committee Updates

We owe a huge debt of gratitude to two members of the South Central Region who stepped off the steering committee recently. Armin Behr and Micki Williams were tremendous assets to our leadership team, contributing to planning and pulling off the yearly woodland owner associations conference, and helping to inform our discussions around programmatic activities and foci. Thank you much for your willingness to give your time to the steering committee!

Into their shoes step the capable Mike and Laura Jackson and Don McCann who will replace them on the steering committee. We look forward to working with Mike, Laura, and Don!

There will also be some changes in our regional coordinator positions (agency or organizational personnel who serve an advisory role). Don Kline, South Central Region, and Eric Oesterling, Southwest Region, are both about to retire. Bob Hansen, Northeast Region, will be moving out of forestry extension and into a district extension leadership position. We wish you all well in your new ventures and are so very grateful for your contributions to our organization!

Dates for Your 2012 Calendar

July 27, 2011 - PA Forest Stewards In-service Training, TBD, Carlisle vicinity.

July 28, 2011 - PA Forest Stewards Annual Meeting, Dave and Judy Twining's Tree Farm, Carlisle.

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