

<b>CAPITAL GAINS AND INCOME TAX COMPARISONS</b>					
Presentation to Vermont Senate Finance Committee					
Thursday, April 25, 2019			Example based on 7,000 acres, four shareholders of S corp.		
Prepared by Stephen Webster					
Line No.	Income or Expense Item	With 40% C.G. deduction	With 30% C.G. deduction	With 40% C.G. deduction	With 30% C.G. deduction
1	Gross revenue from timber sales	165,000.00	165,000.00	165,000.00	165,000.00
2	Less forestry expense directly related to timber sales	(29,700.00)	(29,700.00)	(29,700.00)	(29,700.00)
3	Adjusted revenue from timber sales	135,300.00	135,300.00	135,300.00	135,300.00
4	Less capital gain deduction*	(54,120.00)	(40,590.00)	(54,120.00)	(40,590.00)
5	Resulting income from Timber Sales	81,180.00	94,710.00	81,180.00	94,710.00
6	EXPENSES				
7	Association dues**			485.00	485.00
8	Boundary maintenance			0.00	0.00
9	Forestry exp. - plans, reports, inspections, & consulting			4,500.00	4,500.00
10	Invasive plants expense			0.00	0.00
11	Legal and audit			4,000.00	4,000.00
12	Meeting registrations			35.00	35.00
13	Office Supplies			16.00	16.00
14	Postage			30.00	30.00
15	Post Office box rent			69.00	69.00
16	Road and bridge maintenance			3,200.00	3,200.00
17	Sec'y of state annual fee			45.00	45.00
18	Tree Farm admin. fees			30.00	30.00
19	Taxes, property, on timber lands			22,600.00	22,600.00
20	Tax, Vt. corporate income			250.00	250.00
21				35,260.00	35,260.00
22	Net income before personal income tax	81,180.00	94,710.00	45,920.00	59,450.00
23	Assumed tax rate	0.066	0.066	0.066	0.066
24	Personal income Tax	5,357.88	6,250.86	3,030.72	3,923.70
25	Less tax at 40% C.G. deduction		(5,357.88)		(3,030.72)
26	Increase in tax		892.98		892.98
27	Percentage increase in tax		16.667%		29.464%
28					
29	Income after tax (ignoring C.G. deduction)	129,942.12	129,049.14	97,009.28	96,116.30
30	Ditto, split four ways	32,485.53	32,262.29	24,252.32	24,029.08
	* C.G. deduction based on timber sales, not net income, because the deduction is carried to individual income tax returns, which have taxable income in excess of the the taxpayers' proportion of adjusted timber sale revenue		** Association dues		
			Vermont Woodlands Association		
			American Forest Foundation		
			Vt. Forest Products Assn.		
			Orange County Farm Bureau		

