

# FOREST STEWARDSHIP BRIEFINGS

Timber ◇ Wildlife ◇ Water Quality ◇ Soil Conservation ◇ Best Management Practices ◇ Recreation ◇ Aesthetics

## TAX TIPS FOR FOREST LANDOWNERS

by Linda Wang, Forest Taxation Specialist, and John L. Green, Research Forester, Southern Research Station, USDA Forest Service, Southern Region, Atlanta, GA

For more information:

- <http://www.treefarmssystem.org/leaders/TaxTips07.pdf>
- <http://www.timbertax.org>
- <http://www.timbertax.org/publications/extensionpubs/BasicsofBasisp1983.pdf>

This is an abbreviation of the information contained in the guide listed in the sidebar.

**Purpose for Owning Timber** - Forest owners must classify their timber management activities into one of three categories for tax purposes:

- Trade or business,
- Income-producing (or investment), or
- Personal use.

The distinction is important in terms of how income, expenses and losses are treated and reported for tax purposes.

**Tax Basis of Timber** - Basis is a tax concept of the cost of your forest land and timber. If properly documented, timber basis can lower your taxes by reducing the taxable proceeds from timber sales, enabling reforestation cost recovery or allowing timber loss deductions.

**Timber Management Expenses** - Generally when there is a profit motive, ordinary and necessary expenses incurred for managing forest land as a business or an investment are deductible even if there is no current income from the property. Property tax and interest are currently deductible, but you may elect to capitalize them if doing so provides a tax benefit.

Ordinary and necessary expenses associated with timber management generally include the costs of: post-establishment timber cruises, consulting forester fees, brush control, protection from fire, insects and disease, pre-commercial thinning, timber stand improvement, tools of short useful life, travel directly related to timber activities, hired labor, and mid-rotation fertilization.

**Timber Planting Costs** - Under IRC section 194, a taxpayer may elect to deduct outright up to \$10,000 per year of qualifying timber establishment costs, and amortize any additional amount over 84 months, rather than capitalizing and recovering them at the time of a timber sale.

**Cost-share Payments** - Cost-share payments generally must be included in income unless a section 126 election is in effect. Under this election, cost-share payments from qualified government programs may be wholly or partially excluded from income.

**Timber Income** - In almost every situation, it benefits you to have your timber sale income qualify as a long-term capital gain. Among the reasons are that long-term capital gains are taxed at lower rates than ordinary income, and are not subject to self-employment taxes.

**Timber Losses** - In general, loss deductions are permitted on property held for business or investment purposes. It is important to note that your deduction for a loss is limited to your adjusted basis in the asset lost, minus any insurance or other compensation received.

A casualty loss is caused by natural or outside forces that are sudden, unexpected, and unusual - e.g., by fire, ice storm or hurricane. A loss that is unexpected and unusual but occurs over time - e.g., by disease or insect attack - is a non-casualty loss. Other kinds of loss, timber theft and condemnation, result from human activity. A timber theft loss is deductible in the year you discover it.

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## POST-WILDFIRE QUAIL SURVEY

by Kay Ledbetter

from *A&M Systemwide - newsletter for A&M System Employees and Retirees; July/August 2007 edition*

For more information:

- <http://www.tamus.edu/systemwide/07/07/research/quail-return-rate.html>

Texas Agricultural Experiment Station and Texas Cooperative extension personnel are trying to find out how and when quail populations in the High Plains will recover after last year's wildfires. A study was started last spring to monitor the impacts of wildfire on quail, says Ken Cearley, Extension wildlife specialist in Canyon.

Dale Rollins, Extension wildlife specialist in San Angelo, said "This scale of wildfires is a rare event and presented a unique research opportunity for us. We often use prescribed burning as a tool for managing quail habitat, but on a much smaller scale. Our main interest is determining how long it takes those quail to repopulate that area 2, 3, 4 miles from the unburned edge."

Ten-mile-long sampling transects are in Gray, Roberts, Hutchinson, Carson and Wheeler counties. By counting calling males in the spring, they hope to be able to tell how many breeding birds are available going into the nesting season.

The survey began last year, but the single year's data will provide limited information by itself, Cearley said. Last year was a dry year and that affected the number of quail almost statewide, so it probably also affected the survey in and around the burns. A third year of data gathered in 2008 would be helpful, but that will depend on funding, he said.

Funding for the study has been provided by the Panhandle Chapter of Quail Unlim-

ited, several local landowners, West Texas A&M University and Extension's Quail Decline Initiative.

In the first year, scent stations and artificial nests with chicken eggs were used to determine how many potential nest predators-coyotes, skunks, etc.-were in the vicinity of each transect and could affect the survival of quail nests.

Habitat photos were taken last year to evaluate shrub cover and nesting cover. Forb diversity counts were done at each sampling station to give an idea of food plant availability

While the 2006 data are still being analyzed, preliminary observations from last summer showed the sandier sites with shinnery oak rebounded more quickly than the hard-land sites, which are typically short-grass communities with less vegetation. "Often, we'll find out that a burn will enhance the diversity and abundance of forbs, so that will be useful data once it is analyzed," Cearley said.

This year is looking better for quail overall due to abundant rainfall, Cearley said. Much of the burned area looks good with what appears to be adequate cover. "We expect better numbers," he said. "Last year, there hadn't been enough regrowth of cover after the fire, early enough in the year, to attract the quail back into the area, or to provide for the survival of very many of them."

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## FUN FACTS ABOUT FUNGI

"Welcome to the Hidden Kingdom! We find fungi so fascinating that we wanted to share some fun facts about fungi with you. Fungi both cure and cause disease. They determine what plants grow in your yard and in forests, and keep us from being buried in waste. Some fungi taste great - others can kill you!" This site, presented by the Utah State University Intermoun-

tain Herbarium, is a learning experience for everyone on the facts about fungi. As indicated by the introduction, the facts are presented in an entertaining manner, with the scientific concepts clearly explained.

Before taking the family on a mushroom gathering expedition, be sure to visit the [MushroomExpert.com!](http://MushroomExpert.com)

For more information:

- <http://mushroomexpert.com/>

## AN ERA OF DECONSTRUCTION?

Dr. Robert Falk, a Research Engineer at the U.S. Forest Service Forest Products Lab, has been focusing on the development of reuse options for wood materials salvaged from building dismantlement (or deconstruction). Simply put, deconstruction is building construction in reverse, involving the careful dismantling, salvage, and re-use of building components.

Each year, over a billion board feet of structural lumber goes into landfills from the demolition of buildings. Much of it is high quality, old-growth wood that is, for the most part, unavailable from any other source.

Upon finding some high-quality wood siding that was coated with lead based paint (LBP), Dr. Falk and co-workers developed a method to remill the siding to remove

the LBP while producing a value-added product.

Using conventional woodworking equipment, they produced high-quality and high-value flooring and paneling (worth about \$4 per square foot). By monitoring air quality, blood lead levels in the machine operators, and testing for residual lead in the end product, they showed that the removal of the LBP could be done safely. They were able to take a high cost disposal problem and turn it into a value-added opportunity.

Dr. Falk believes his research on the reuse of lumber and timber is fostering the reuse of wood materials that would otherwise end up in the landfill. That helps conserve our wood resource and is good for the environment.

*from "Newslines," newsletter of the USDA Forest Service's Forest Products Laboratory, Madison, WI, Vol. 6, Issue 2*

*For more information:*

- <http://www.fpl.fs.fed.us/documents/newslines/newslines-2007-2.pdf>
- <http://www.fpl.fs.fed.us/staff/staff--falk-robert.html>

## CHESTNUT TREE POISED FOR COMEBACK

Tromping through a Massachusetts state forest, Brad Smith spots an old stump with dead shoots and one lone, green sprout – a sad but not uncommon remnant of a once-proud species – the American chestnut tree. Except for a few mature trees, the species has struggled for 50 years to survive. Stumps send up sprouts that are quickly attacked by the same invasive blight that wiped out about 3.5 billion chestnut trees between 1904 and 1950.

Now, however, an American chestnut revival may be imminent. Scientists using traditional plant breeding techniques are on the verge of a breakthrough.

Hidden on a country road that winds through rural Meadowview, VA., is a 93-acre plot of ground that holds the future of the American chestnut: about 120 hybrid saplings. The trees – going on two years old and four feet tall – are considered "fully blight resistant" and thriving.

At this rate, by 2010 there should be

enough "holy grail" nuts to begin planting in selected test sites in national forests. By 2015, production from such plots is expected to grow exponentially – yielding enough nuts to allow for full-blown replanting – if everything goes well.

Researchers have spent 25 years breeding resistant Chinese varieties of chestnut with nonresistant American versions – then "back-crossing" or breeding resistant American chestnuts with one another.

The American chestnut was once dominant in forests from Maine to Florida, a majestic giant that easily grew four feet across, 120 feet high and lived for centuries. Its nuts were an important source of food for animals and humans and its rot-resistant wood prized by timber and furniture companies.

One new problem the American Chestnut Foundation is facing isn't blight, but keeping the seeds from being sold on eBay for fat profits.

*by Mark Clayton, Staff Writer, Christian Science Monitor*

*For more information:*

- <http://www.csmonitor.com/2007/0807/p02s01-sten.htm>
- <http://www.acf.org/>

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## PUBLICATIONS OF INTEREST

**“INTRODUCTION TO ESTATE AND GIFT TAXES”** - Publication 950 of the Internal Revenue Service. This publication is not updated annually, but as needed to reflect changes in the law. This new edition is must reading for anyone working on their estate plan. **Go to:** <http://www.irs.gov/pub/irs-pdf/p950.pdf>.

**“FOREST LANDOWNERS GUIDE TO THE FEDERAL INCOME TAX”** - Ag. Handbook No. 718. The primary purpose of this handbook is to foster good forest management by combining, in one source, relevant information for analyzing investments in forest management and an explanation of the Federal income tax law associated with those investments. **Go to:** <http://www.timbertax.org/publications/aghandbook/aghandbook.asp>.

**“Evaluating the Efficiency of Carbon Sequestration in American Chestnut (*Castanea dentata*)”** - Found on the American Chestnut Foundation website, this 2005 Technical Update addresses the use American chestnuts to effectively take up and store carbon. **Go to:** <http://www.acf.org/News%20Items/Carbon%20Topic%20Links/Jacobs%20EPRI%20Carbon%20Sequestration%201011518.pdf>.



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