

FOREST STEWARDSHIP BRIEFINGS

Timber ◇ Wildlife ◇ Water ◇ Soil ◇ Best Management Practices ◇ Forest Health ◇ Recreation ◇ Aesthetics

TAX TIPS FOR FOREST LANDOWNERS

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For more information:

- <http://txforests.tamu.edu/main/article.aspx?id=144>
- <http://tfsweb.tamu.edu/main/article.aspx?id=139>

Tax laws on timber transactions are very specialized. The information presented here is current as of September 30, 2014.

Timber Property - There are three basic types of timber ownerships: investment, business, or personal use. The tax rules vary considerably with each classification. For each tax year, you must determine your woodland property's tax classification based on your purpose of ownership, your use, and activities on the property.

Timber property held for an income-producing purpose may be an investment; it may rise to a business if you regularly and continuously engage in the timber activity to make a profit. Legal entities such as LLC, sole proprietor, partnership, corporation (S or C corporations), estate, or trust may own the property. It is a good practice to document your profit motive in a written forest management plan. You must materially participate in a business in order to avoid the restrictions on loss deductions. If your primary purpose of owning the property is personal use (vs. profit making), the property is personal use property, which is subject to limitations on deductions.

Timber Basis and Depletion - Timber basis may be deducted from timber sales, which reduces the tax due on the sales. Dividing your timber basis by the total volume of timber gives you the depletion unit; multiplying it by the units of timber sold gives you the depletion amount.

Timber Sales - Sale of investment timber "on the stump" generally is taxed as capital gains. If you hold the investment timber for more than one year before the sale, the sale qualifies for long-term capital

gain, which is taxed at advantageous lower tax rates than ordinary income. Sale of inherited timber is considered long-term.

To be eligible for long-term capital gains for sale of timber held in business, you must own the timber for more than one year in the business.

On top of the capital gain tax, for taxpayers meeting income threshold, an additional 3.8 % tax on net investment income applies to investment timber sales and passive business timber sales, effective January 1, 2013. This 3.8 % tax, enacted as part of the 2010 healthcare reform law, applies only to single taxpayers with adjusted gross income (AGI) over \$200,000 or couples with over \$250,000 AGI.

Timber Management Expenses - If you hold your forest land to grow timber for profit, you can deduct ordinary and necessary timber management expenses, such as the cost to protect the timber from insects, disease, or fire; control brush; do a precommercial thinning or mid-rotation fertilization; or maintain firebreaks.

Reforestation Costs - All taxpayers except trusts may deduct up to \$10,000 (\$5,000 for married couples filing separately) per year of reforestation costs per qualified timber property (QTP).

Depreciation - You may depreciate capital expenditures such as for logging equipment, bridges, culverts, fences, temporary roads, or the surfaces of permanent roads over a set number of years.

Timber Casualty and Theft Losses - Loss of timber from a casualty - a sudden, unexpected, and unusual event such as a fire or severe storm - may be deductible.

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FOREST INDUSTRY AND TEXAS ECONOMY

from Texas A&M Forest Service website

For more information:

- <http://tfsweb.tamu.edu/main/popup.aspx?id=19185>
- <http://tfsfrd.tamu.edu/economicimpacts/Texas%20Flyer/EconomicImpact2012.pdf>
- <http://texasforestinfo.tamu.edu/>

Texas A&M Forest Service (TFS) has completed a new study of the economic contribution provided by forestry-driven, wood-based industries in Texas. The report shows that the total economic contributions of the Texas forest sector include **\$30.3 billion in industry output**, supporting more than **130,600 jobs**, and continues to be one of the top ten manufacturing sectors in the state.

The report analyzes data collected from 2012, the most current available. TFS periodically produces the “Economic Impact of the Texas Forest Sector,” to give citizens an idea of where the forest sector fits overall into the Texas economy.

The current report is especially important because it shows where forestry in Texas stands as the economy rebounds from the 2007–09 recession. The recession had a profound adverse impact on the Texas forest sector, and although forest and forest product industries have not fully recovered, there are signs of improvement.

Dr. Omkar Joshi, Forest Economist with TFS, says that the forest sector is making steady progress, climbing from the lows

seen during the recession. “With the economy improving and the housing market getting better and better, we should continue to see the forest industry’s economic contribution to Texas increase.”

In 2012, the 43-county region of East Texas produced \$5.7 billion worth of goods and services, directly supporting more than 18,900 jobs. This region is home to over 80 percent of Texas’ timberland, and is the main producer of primary forest products such as lumber, structural panels, paper, and pulp.

Manufacturing of secondary forest products like windows, doors, and engineered wood products that use wood along with other materials, contributed over two-thirds of the Texas forest sector’s total industry output and employed 72 percent of the forest sector workforce.

Texas forest products firms exported more than \$1.8 billion worth of forest products to foreign countries in 2012. East Texas was the largest contributor to exports accounting for about 42 percent of the total value of Texas forest products foreign exports.

TREE TIPS - TREES DROPPING BRANCHES

You’ve come home from a long day at work and are relaxing on your back deck when you notice it. Scads of tiny, thin branches - some with bright green leaves still attached - are scattered around your tree. What could cause your tree to shed its branches? Is there something wrong with it? Worse yet, is it dying?

Probably not. Trees are hardy. During severe drought, pine and hardwood trees conserve water by prematurely shedding needles and leaves. When leaves or needles don’t get enough sun, their branches often die, naturally pruning themselves from the tree.

The same happens when a loblolly pine is shaded by surrounding trees. Its lower branches simply die and drop off.

Homeowners are sometimes alarmed by this natural pruning because they think the tree is dying. But you shouldn’t necessarily worry if you come home and find pencil-sized branches at the base of your tree.

If there’s been no bad weather, then branch abscission - also known as cladop-tosis - is likely to blame. The phenomenon is similar to the process that occurs when trees shed their leaves each fall. In the case of hardwood trees, twig girdling beetles also may prune off the ends of small branches.

The process is relatively common in trees such as cottonwood, post oak, white oak, white ash, American beech, black cherry, black willow, bald cypress, and longleaf pine.

from Texas A&M Forest Service website

For more information:

- <http://texasforestservice.tamu.edu/main/popup.aspx?id=1287>

STATE FOREST STEWARDSHIP

This fall a variety of exciting programs and projects will be implemented at the W.G. Jones State Forest in Conroe. This forest is valuable undeveloped open space and viable wildlife habitat, incorporating forest research, demonstration, and educational opportunities in forestry and wildlife in the midst of surrounding urban sprawl.

Nearly 100,000 visitors a year are drawn to the forest for its natural attractions – hiking, biking, jogging, horseback riding, fishing, and birding. The forest is within 90 miles of nearly 4.5 million people and only 30 minutes from Bush Intercontinental Airport.

Prescribed burning is planned this fall and winter season to promote healthy ecosystem function. The hazardous fuel reduction accomplished by burning will provide additional protection to the forest and surrounding communities in the event of a wildfire. The anticipated effects of the burning will also maintain the forest structure desired for red-cockaded woodpecker habitat. Small blocks of burning will be completed by local Texas A&M Forest Service (TFS) personnel when weather conditions are conducive to burning in an urban environment. When additional personnel are needed to complete more complex burn units, the Prescribed Fire Exchange Program will be utilized.

The Prescribed Fire Exchange Program is an agreement within TFS that allows employees from different duty stations across

the state to converge at a prescribed fire area and assist with preparation and implementation. Memorandums of Understanding (MOUs) exist between TFS and Texas Parks and Wildlife Department and U.S. Fish and Wildlife Service, allowing employees from these agencies to assist with prescribed burns on lands administered by each particular agency.

Two pairs of red-cockaded woodpeckers from Louisiana were released October 22 on the Jones State Forest. This was done through the Western Region RCW Translocation Cooperative, and is a continuing effort to support RCW by introducing new genetics into the current population, which has been isolated from other RCW populations due to forest fragmentation. These new birds will promote genetic diversity as they intermix with the existing four groups currently on the forest, or hopefully start families of their own.

Fall classes focusing on wood, water, wildlife, and fire began in November as part of “Classrooms Without Walls.” This TFS signature environmental series brings area 4th and 5th graders together and includes engaged learning and critical thinking skills through a curriculum based approach and environmental learning stations. The intent of the program is for students to incorporate classroom learning into real world applications. By spring of 2015, nearly 700 Conroe, Magnolia, and Waller ISD students are expected to participate.

by Stuart Coombs, WUI Specialist II, TFS, Conroe, TX

For more information:

- <http://texasforestservicetamu.edu/main/article.aspx?id=1790>
- <http://texasforestservicetamu.edu/main/popup.aspx?id=1372>
- <http://texasforestservicetamu.edu/main/article.aspx?id=8508>

MATURE FORESTS STORE NITROGEN

Ecologists working in central Pennsylvania forests have found that forest top soils capture and stabilize the powerful fertilizer nitrogen quickly, within days, but release it slowly, over years to decades. The discrepancy in rates means that nitrogen can build up in soils. Forests may be providing an unappreciated service by storing excess nitrogen emitted by modern agriculture, industry, and transportation before it can cause problems for our waterways. Nitrogen is an essential nutrient.

Though a major component of the air, it is largely inaccessible, captured only through the metabolism of certain microbes or washed to earth in the form of ammonia, nitrogen oxides, or organic material by rain, snow, and fog. On land, microbes, fungi, and plants incorporate what doesn't wash away. Organic matter in the soil – the remains of fallen leaves, animal droppings, and dead things in various states of decay – can also capture newly deposited nitrogen, holding it stable in the soil.

from ESA.org website

For more information:

- <http://goo.gl/h6d2G9>

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URBAN RIPARIAN SYMPOSIUM

An Urban Riparian Symposium will be hosted Feb. 11-13, 2015, at the Palmer Events Center in Austin by the Texas Water Resources Institute, Texas Riparian Association, the City of Austin's Watershed Protection Department, Texas A&M Forest Service, and Texas Parks and Wildlife Department.

The symposium will provide an opportunity for natural resource professionals to share ideas and discuss management and policy issue lessons learned in urban riparian and stream planning, design, construction, and evaluation.

Riparian areas perform a number of ecological functions such as modulating stream flow, storing water, stabilizing stream banks, removing harmful pollutants from water, moderating water temperatures, and providing habitat for plants and animals.

Dr. Peter Groffman, a microbial ecologist with the Cary Institute of Ecosystem Studies in New York, will be the symposium's keynote speaker. Groffman's research focuses on the role of microorganisms in ecosystem function. Much of his work has looked at riparian areas and what urbanization does to soil and hydrology.

To register for the workshops and symposium, or for more information, visit <http://texasriparian.org> or contact Nikki Dictson at n-dictson@tamu.edu.



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