

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://www.timbertax.org/developments/TaxTip09-Final.pdf>

This article summarizes federal income tax information useful to woodland owners in preparing their 2009 tax returns. It is current as of October 1, 2009. Consult your tax and legal professionals for advice on your particular tax situation.

IRS PROPERTY CATEGORIES - Standing timber may be held as personal use property, investment property, or business property. The tax provisions differ for each category. If you hold timber to produce income but do not actively manage it, you may be an investor. If you actively manage your timber for the regular production of income, you likely hold it for use in a business. To qualify for business use, there should be evidence of regular activity and production of income.

SELLING TIMBER - Effective after May 28, 2009, purchasers of timber in a lump-sum sale must report the sale on a Form 1099-S (or equivalent). Pay-as-cut timber sales were already subject to this.

INSTALLMENT SALES - An installment sale involves receiving one or more payments after the year of sale. Installment sales permit the seller to defer taxes or spread gains and taxes over two or more years. Timber proceeds remain a capital gain, but real or imputed interest on deferred payments is ordinary income.

TIMBER BASIS - Your basis in purchased timber is the purchase price, plus related expenditures (legal fees and survey costs, for example), separate from the basis of the associated land. For inherited timber, however, your basis is the fair market value of the timber on the donor's date of

death. For timber received as a gift, it is the donor's basis (or the value of the timber if that is less). Your basis in timber sold is subtracted from the sale proceeds to determine the taxable gain, and your basis in the depletion account for damaged timber determines the maximum deduction for a casualty or theft loss.

TIMBER MANAGEMENT EXPENSES - If you hold your woodland as an investment or for use in a business, you can deduct ordinary and necessary management expenses, such as fees paid to a professional forester, or the cost of brush control, thinning, and protecting your timber from fire, insects or disease.

REFORESTATION TAX PROVISIONS - Under sec. 194 you can fully recover the cost of establishing or reestablishing timber on your woodland. You can deduct outright the first \$10,000 (\$5,000 for married couples filing separately) per year of such expenses per qualified timber property. Any additional amount can be amortized over 84 months (8 tax years).

COST SHARE PAYMENTS - If you receive payments from a government cost-share program, you can expect to receive a Form 1099-G. But sec. 126 permits recipients of payments from approved cost-share programs to exclude a calculated part of the payments from their gross income. Approved federal programs include the Forest Health Protection Program (to combat southern pine beetle, forest diseases, and forest invasive plants; approved August 10, 2009; retroactive to prior years), plus CRP, EQUIP, WHIP, WRP, and some state programs.

INSIDE THIS ISSUE:

Bobwhite & Timber Management

Ranger Oaks

Clean Energy, Clean Water

Another Giant Salvinia Threat

Timber Tax Workshops

BOBWHITE & TIMBER MANAGEMENT

from *The Journal of Wildlife Management*, 73 (8), "Economics of Northern Bobwhite and Timber Management in the Southeastern United States," by Ching-Hsun Huang, School of Forestry, Northern Arizona University, Flagstaff, AZ

For more information:

- <http://www.wildlifejournals.org/perlserv/?request=get-abstract&doi=10.2193%2F2008-229>
- <http://www.bioone.org/doi/abs/10.2193/2008-229?cookie-Set=1&journalCode=wild>
- <http://www.naturalresources.msstate.edu/resources/bobwhite-quail.html>

Populations of northern bobwhite (*Colinus virginianus*) have declined significantly over the past 50 years, and the primary factor contributing to this decline has been the loss of habitat. Clean-farming practices, forest harvesting regimens, dense forests with closed canopies, and intensive monoculture farming and timber management contribute to a change in habitat that does not favor the quail.

The optimal forest density for bobwhite management lies in the range where the potential for income from forest products begins to decline. However, forest landowners who are concerned with providing bobwhite habitat as well as generating revenue from timber can balance the silvicultural (forestry) requirements of timber production with the biological needs of the bobwhite. Bobwhite are dependent on herbaceous and shrubby cover. Management practices such as forest thinning, grazing, herbicide, burning, and disking are often prescribed for creation and maintenance of bobwhite habitat.

Practical management recommendations for balancing timber revenue and bobwhite production include using the widest practical spacing when planting, introducing fire at the earliest possible juncture, using frequent fire (1-yr to 3-yr burn interval), thinning heavily and at the earliest

practical time, and shaping individual stands through harvesting so that mature stands are less dense.

Ching-Hsun Huan of the Northern Arizona University School of Forestry conducted a study to determine the economic tradeoffs between bobwhite and timber management and how to minimize loss or maximize profit when managing for bobwhite and timber simultaneously.

The study showed that the annual per-hectare (2.5 acres) economic gains of managing for both bobwhite and timber ranged from \$19.27 to \$41.37 on low-productivity land, and ranged from \$32.63 to \$50.02 on high-productivity land. Analysis indicates that bobwhite management provides an investment opportunity to landowners whose low-productivity sites would be unprofitable if timber is the only product. Since the revenue from quail hunting leases increases the profitability of pine plantations, private landowners may extend their investments on low-productivity sites that would be unprofitable if timber is the only product.

This study provides an example of integrating multiple uses of goods and services in a way that maximizes economic returns and aids land managers in producing better habitat for bobwhite.

RANGER OAKS

Near the corner of Gonzales and Travis streets in the city of Seguin stand several large live oak trees which, as early as 1828, provided shelter to some of the forerunners of today's famed Texas Rangers. Even before the first company of Texas Rangers was commissioned in 1837, a group of hardy men called the Gonzales Rangers, under the command of Captain Matthew Caldwell, used this shady spot as a campground. Captain Caldwell and thirty-two others, most of whom were Gonzales Rangers, moved to Walnut

Springs in 1838 and purchased the first lots in Joseph Martin's town site near the oxbow bend of the Guadalupe River. They first named their town Walnut Springs, but less than four months later changed it to Seguin in honor of the native-born Texan of Spanish ancestry who served the Texas cause.

John Coffee "Jack" Hays, a resident of Seguin and one of Texas' most illustrious Ranger commanders, also camped in the shade of these trees.

from the Texas Forest Service website—*Famous Trees of Texas*

For more information:

- <http://famoustree-softexas.tamu.edu/TreeHistory.aspx?TreeName=RangerOaks>

CLEAN ENERGY, CLEAN WATER

A Texas firm plans to use power generated by the Gulf of Mexico's waves to make its salty water drinkable. Renew Blue Inc. says its project can address two global problems — climate change and scarce drinking water — by using clean energy to turn seawater to freshwater.

The company has a lease from the state of Texas to place the facility in 25 feet of water about a mile off the coast from Freeport. It will use 18 specially designed, wave-powered pumps to send water over a wheel that will turn a small electric turbine. Power from the turbine will light the platform and run a 3,000 gallon-per-day desalination plant, said Doug Sandberg, vice president of Renew Blue's parent company, Independent Natural Resources.

The desalinated water will be stored in a 30,000-gallon tank on the platform and then transported to shore, where it will be put in bottles made from corn-based plastic and marketed under the Renew Blue brand.

The idea of generating electricity via ocean

waves and currents has been around for several decades but is still in its early stages.

Six percent of U.S. electricity came from hydroelectric dams in 2008, according to the Department of Energy. Electricity generated that way — turning turbines with water backed up behind dams — is called hydropower, in contrast to hydrokinetic power, which uses existing currents and waves.

Houston-based Hydro Green successfully placed a hydrokinetic water turbine just downstream from a hydropower plant on the Mississippi River in Hastings, Minnesota, that can generate up to 100 kilowatts.

The offshore lease is the first the state has granted for the production of energy using ocean waves. The project will use a patented system called the Seadog developed by Conroe-area resident Kenneth Welch Jr. A disk-shaped buoy rises and falls with the waves to move a piston that pumps water — either directly through a turbine or into an elevated storage tank that then releases water over a water wheel.

by Tom Fowler, Houston Chronicle; story posted online October 10, 2009

For more information:

- http://www.mysanantonio.com/business/local/Clean_energy_clean_water.html

ANOTHER GIANT SALVINIA THREAT

More than 100 acres of giant salvinia were discovered October in the Angelina River and Texas Parks and Wildlife Department officials are concerned that runoff from rain could push the infestation closer to the main portion of Sam Rayburn Reservoir.

The free floating aquatic fern was found in a backwater area called Estes Lake about 10 miles upstream from Marion Ferry and Kingtown in Nacogdoches County. It was evidently contained for more than a year by shallow water and dense brush, the department said.

Giant salvinia, which the department says is “arguably the most problematic

aquatic vegetation in Texas,” reached epidemic proportions on Toledo Bend, where it was discovered in 1998.

Oil-spill booms in Coleman Creek on Sam Rayburn contain persistent infestations, but the fern is defying control efforts on B.A. Steinhagen, and the fate of Caddo Lake is uncertain because of an expanding infestation, the department said.

Giant salvinia is capable of doubling the area it covers in as little as five days, disrupting ecosystems and leaving bodies of water unsuitable for either boating or fishing. It's now firmly established in 11 Texas reservoirs, the department said.

from KWTX.com news story, dated October 14, 2009

For more information:

- <http://www.kwtx.com/statenews/headlines/64264742.html>
- http://aquaplant.tamu.edu/database/floating_plants/giant_salvinia.htm

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TIMBER TAX WORKSHOPS

Timber Income and Property Tax Workshops

Texas Forest Service will host three timber taxation workshops in January 2010. These workshops will provide an understanding of timber tax, including the latest changes to tax laws and rules for 2009 income tax return preparations. Continuing Education Credits are available.

January 26, 2010 - Mt. Pleasant - Mt. Pleasant Civic Center, 1800 N. Jefferson Ave. Time: 8:00 a.m. -- 4:00 p.m.

January 27, 2010 - Palestine - Palestine Civic Center, 1819 Hwy. 19 N & Loop 256 Time: 8:00 a.m. -- 4:00 p.m.

January 28, 2010 - Livingston - Alabama-Coushatta Indian Reservation Entertainment Center, 571 State Park Road 56 Time: 8:00 a.m. -- 4:00 p.m.

For online registration or more information, please visit <http://texasforestservicetamu.edu/timbertaxworkshop> or contact Monica Jadowski at (979) 458-6630 or email mjadowski@tfs.tamu.edu. Registration fee will be \$70 per participant (\$30 per additional family member). The registration fee includes the workbook, catered lunch, and refreshments. Space is limited.



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