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The Florida Forest Steward

A Quarterly Newsletter for Florida Landowners and Resource Professionals



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A Stewardship Appraisal Category?

By Chris Demers, Bill Clark and Bud Goldsby

The Forest Stewardship Program was started in 1990 to provide landowners with technical assistance and recognition for actively managing their property for timber, wildlife habitat, soil and water conservation, recreation and aesthetics. In most counties, acres managed for pine production are appraised under an agricultural classification and taxed accordingly. However, acres managed for other values are currently appraised and taxed as though the land is under no management at all. Since these non-timber benefits also require active management and benefit both the landowner and the people of the State, it has been suggested that acres of certified Stewardship properties managed for benefits other than timber be valued under a new appraisal category so that landowners in the Program receive at least a modest level of property tax relief for actively managing productive habitats. Division of Forestry county foresters Bill Clark (Gilchrist County) and Bud Goldsby (formerly in Levy County) have done some research in their counties to see if such a "Stewardship" assessment category could be established.

Some Background on the Process

Individual property assessments are conducted at the county level by the county property appraiser. The State Department of Revenue (DOR) provides appraisal guidelines to aid county officials and reviews these assessments for fairness and consistency. Under the Greenbelt Law, forest land is valued based on its current use value (CUV). The current value of the land and its potential to produce income is calculated for the property based on the site's "productive value" (i. e., site index).

Within Gilchrist and Levy Counties, and in most other counties, acres in the Stewardship Program under timber management generally have been permitted an agricultural pine forest or timber classification for property tax purposes because for most of these properties:

- management has been or will be continuous;
- a bona fide effort by the landowner to sufficiently and adequately care for the land is evident (management plan);
- there is effort to have the property contribute to the agricultural economy of the county on a long term basis; and
- guidelines for minimum trees per acre, operation levels and land rentals for various agricultural operations in these counties are met.

A Multiple Use Incentive?

Depending on your objectives and the number of trees you plant per acre your property (or part of it) may not qualify for your county's timber CUV and is therefore appraised as though it is under no management at all. Land under no management is taxed on its fair market value, the highest level of CUV taxation possible. Those of you in the Stewardship Program know that acres managed for wildlife, recreation, or soil and water conservation often require as much time, planning and effort as those managed for timber. To distinguish acres actively managed for these benefits from acres under no management, we propose a new CUV category - "Stewardship". This new category would receive property tax treatment similar to timberlands.

Although the benefits provided by non-timber areas of certified Stewardship properties are not "agricultural," other potential economic and environmental benefits to the county may justify a specific Stewardship appraisal category. For example, depending on the landowner's objectives, Stewardship properties may generate revenue for the county by way of nature based recreation. Money may be spent in the county by people from outside the county visiting Stewardship properties to observe wildlife, use hunting camps and other outdoor recreation facilities, or conduct research. According to a recent statewide study by the Florida Fish and Wildlife Conservation Commission, hunting, wildlife viewing and fishing annually generate approximately \$5.5 billion in retail sales resulting in an overall economic impact of \$7.8 billion¹. Non-timber areas also provide important ecological values such as soil and water conservation, which have direct and indirect economic impacts on the county.

The underlying premise of this Stewardship classification idea is that since certified Stewardship Forests are under active management for multiple uses, acres managed for uses other than timber should be valued in a category that reflects a deliberate effort by the landowner to manage the land as a productive unit. If adopted this classification would be for acres of certified Stewardship Forests on which timber management is not the sole objective, but instead, one of several objectives described in the Stewardship management plan. In this way, landowners can get timber classification for acres in pine production and the Stewardship classification for acres actively managed for other values as specified in the management plan.



This type of classification would require a constitutional amendment and legislative processing. With some persistent work through the DOF's Administrative Section and property appraisers' professional associations this idea could get on the table in Tallahassee. We encourage you to talk to your county forester and property appraiser about the possibility of a Stewardship appraisal classification in your county.

1Egbert, A.L, V.J. Heller, and D.B. Harding. 2000. Monetary value of nature: an economic impact assessment of three lakes wildlife management area. Florida Fish and Wildlife Conservation Commission. Tallahassee. 6p..



Tour Season

by **Chris Demers and Dr. Alan Long**

The sunny, cool days of winter and spring are ideal for walking in the woods, enjoying the outdoors with friends, and learning about getting the most out of your land. In early December, landowners and natural resource professionals gathered on properties in Volusia and Gadsden Counties to share experiences and information and see examples of long-term, multiple use land management. The tours highlighted completely different forest ecosystems on opposite sides of the state: upland pine and mixed hardwoods in Gadsden county, and flatwoods pine and pasture in Volusia.

Leffler Farm and LeFils Ranch, Volusia County

This tour was organized by the Volusia County Extension Office and the Tree Farm program. It featured two adjacent landowners who received Florida Tree Farmer of the Year awards in the last ten years. The Leffler Farm features many types of resources, including timber, cattle, and fertile fields. Vince Leffler, manager of the 5,000 acre tract and Tree Farmer of the Year in 2000, takes pride in his land and his stewardship philosophy. His family's mission is to coexist in harmony with nature while realizing a maximum return on their investment. This is accomplished through regular annual harvests of timber, livestock management, and several provisions for wildlife, including food plots, openings, stream corridors, and wetlands.

Pine plantations range from two years old (replanted in a corner of the property that was burned in the 1998 fires) to over 40 years old. Older pine stands have been thinned at least once as their target for timber production is large diameter sawtimber. Hardwoods scattered throughout the pine, or in small hardwood stands, provide additional food and cover resources for various

wildlife species. Much of the property is part of a hunting lease.

Along with timber and wildlife objectives, the Lefflers raise cattle, primarily in improved pastures spread across the property. Sandhill cranes were observed in one of those pastures during the tour. Although the Lefflers use both prescribed burning and mowing to reduce understory fuel loads, they have not been able to use these operations as often as they would like. During the tour they pointed out the limitations of relying on burning and mowing for vegetation control as a comparison with the adjacent LeFils ranch.

The LeFils ranch received the 1991 Tree Farmer of the Year Award. Although wildlife are important on their property, their primary objectives are timber and cattle production. In fact, they generally allow the cattle to browse throughout their plantations from the time they are planted. Whereas cattle and new plantations can be a difficult combination, they have been successful with this practice for two major reasons: they only control vegetation along the planted rows (either by bedding or bedding/herbicide treatments), and they maintain cattle stocking (cows per acre) at low levels. Enough vegetation grows up between beds to provide forage and to keep cattle away from the planted trees on top of the beds. Cattle continue to graze through plantations as they grow older. Consequently, many of their pine stands have a much lower understory shrub and fuel accumulation than on adjacent properties.

Carnes Lake House and Hunt Camp, Gadsden County

Bob Carnes, Stewardship Landowner of the Year for northwest Florida in 1996, works hard to provide habitat for quail, turkey, deer, and hogs while maximizing timber growth on his 335-acre property in Gadsden County. His property also features two fish ponds which are used by a diverse array of birds and mammals.

Most stops on the tour illustrated the effectiveness of wildlife openings. Approximately 5-10% of Bob's property is maintained as open habitat, portions of which have been planted with small grains and legumes to serve as supplemental food sources. Plum trees and other fruit and nut producers were maintained to provide additional habitat diversity.

A loblolly pine stand, planted at 12 x 6 foot spacing, is simultaneously providing an exceptional timber resource and habitat for many species of wildlife. Permanent openings and perimeter and interior firebreaks have been established, and every third row has been mowed to promote early succession food for deer, rabbits, songbirds, and quail. Groups of



existing mast-producing species such as oaks, persimmon, hawthorn, sparkleberry, holly and wild plum have been retained to maintain habitat diversity.

The last stop on the tour featured an 80-acre upland hardwood stand. Pines were removed from the stand in 1992 but most snags were left standing for wildlife habitat. While not ideal for timber production, hardwood stands provide excellent habitat for deer, turkey and birds and add to the natural aesthetics of a property. This year's exceptional fall colors provided an excellent example of their natural beauty and an incentive for retaining this type of woodlands.



Tax Tips for the 2000 Tax Year

This information is from the USDA Forest Service's December 2000 Cooperative Forestry Technology Update, Tax Tips for Forest Landowners for the 2000 Year, and is meant to give you a heads-up on some timber related items to pay attention to when you prepare your tax return for 2000. You should consult other sources for a more comprehensive treatment of tax issues and questions.



Your Basis and Tax Records

Part of the price you receive from a timber sale is taxable income and part is your investment, or basis, in the timber sold. The total cost of purchased timberland, or the value of inherited land, should be divided into land, timber, or other capital accounts. In each account, the basis is adjusted up for new purchases or investments and down for sales or disposals. Keep good records, including a written management plan, map, and documents supporting all costs and income. The basis and timber depletion should be reported on IRS Form T (timber), Schedule B.

Passive Loss Rules

Under passive loss rules you can be classified in 1 of 3 categories: (1) investor, (2) passive participant in a trade or business, or (3) active participant (materially participating) in a trade or business. You are materially participating if your involvement is regular, continuous, and substantial. Generally, active participants get the best tax treatment of deductible expenses, but you must support this with thorough records. Keep records of all business transactions related to managing your timber stands and other business activities such as landowner meetings. Odometer readings to and from meetings, canceled checks for registration fees, and copies of meeting agendas are some examples of documentation of meeting attendance.

If you are an active participant in a timber business you must dispose of your timber under the provisions of Section 631 to qualify for capital gains. This means that timber must be sold on a

pay-as-cut or "cut and convert" basis rather than lump sum. If you have considerable passive income, such as Conservation Reserve Program annual payments, it may be to your advantage to be considered a passive participant.

Reforestation Tax Credit and Amortization

The reforestation tax credit and 7-year amortization is among the best tax advantages for forest landowners. If you reforested during 2000 you can claim a 10% investment tax credit for the first \$10,000 spent for reforestation. You can also deduct (amortize) all of your 2000 reforestation costs (up to \$10,000) minus half the tax credit taken, over the next 7 years (8 tax years). You can amortize reforestation expenses on Form 4562, but the election to amortize must be made on a timely tax return for the year in which the reforestation expenses were incurred. Passive owners may not be eligible for this credit and amortization.

Caution: the credit and amortization are subject to recapture if you dispose of your trees within 5 years of planting for the credit; and within 10 years of planting for the amortization.

Capital gains and Self-employment Taxes

You could pay significantly more in taxes if you report timber sale income as ordinary income rather than as a capital gain. Also, capital gains are not subject to the self-employment tax, as is ordinary income.

Conservation Reserve Program (CRP)

If you planted trees during 2000 under CRP you must report your annual payment as ordinary income. All other CRP cost-share assistance must also be reported as ordinary income, but payments used to establish trees can be claimed as part of the reforestation expenses reported for the reforestation tax credit/7-year amortization.

Casualty Losses

A casualty loss must result from an event that is identifiable, damaging to the property, and sudden or unexpected or unusual in nature (e.g., wildfires and storms). Your claim for casualty losses cannot exceed the adjusted basis minus any insurance or other compensation. Note that the IRS has ruled that losses resulting from drought or beetles generally do not qualify for a casualty loss deduction because they are not sudden, but they may qualify for a business- or investment-loss deduction.

Management Expenses

Your annual expenses for the management of an existing timber stand can be itemized during the tax year they are incurred, although the amounts that can be deducted depend on your tax category (investor, active, passive). If it is not to your advantage to itemize deductions for 2000 you should capitalize these expenses.

Proper tax planning is a tedious but important part of timberland management. We strongly recommend contacting a professional tax advisor to help you with this task if you are uncertain

of the procedures.

You can access Tax Tips for Forest Landowners for the 2000 Year and other publications online at the bottom of the Southern Region Forestry Extension page at www.soforext.net/. Also check out [**Purdue University's National Timber Tax Website**](#) for a comprehensive treatment of timber taxes. Finally, Agriculture Handbook 718, titled, [**Forest Landowners' Guide to the Federal Income Tax**](#), is available on-line.



Ask Joe Steward

This Ask Joe Steward column deals with an important issue in Florida and the rest of the southeast - invasive exotic plants.

Q: I have recently moved to Panama City Beach and bought a house with a "popcorn" tree in my front yard. No one seems to know the name of this tree except "popcorn". I guess it is considered a tough, exotic tree, not liked by some people. I happen to like it but cannot find out anything about it. If you have any information, please email. It is called popcorn because it has little white seeds all over that look like popcorn, and when they fall off and get stepped on, they pop like popcorn.

A: Despite its attractive foliage, the popcorn tree is one in a long list of invasive exotic plants that is threatening to displace the native flora of some Florida ecosystems. Here's some background on the problem:

The Chinese tallow, a.k.a. popcorn tree (*Sapium sebiferum*), was introduced from China in the early 1900s and has since invaded most of the southeastern states. It is a small tree whose seeds are widely dispersed by birds and water runoff. The tree's attractive light green, heart-shaped leaves that yield bright fall colors have rendered it an attractive ornamental and its flowers are sometimes used by beekeepers for honey production.

However, this tree is threatening to become the prominent component of the marshes, river margins, and dry uplands of its expanding range - displacing native flora and therefore important wildlife habitat. It is prohibited by the Florida Department of Environmental Protection (DEP) and is listed as a noxious weed by Florida Department of Agriculture and Consumer Services (FDACS), U.S. Department of Agriculture (USDA), and the Exotic Pest Plant Council (EPPC).

We are currently working on a publication about controlling invasive exotic plants, including the

Chinese tallow. Spread the word about this tree before it spreads itself too thick. Invasive exotic plants are a significant threat to Florida's ecosystems today.

Visit the Florida Exotic Pest Plant Council's web site to learn more about this and other exotic plants that are threatening Florida's ecosystems: www.fleppc.org/

Write, call or email the [editor of the Florida Forest Steward](#) with your questions and we will print responses in the next issue. We welcome questions about articles in this or back issues of the Steward, specific management practices, economic or financial issues, forest policy issues, or anything else relating to resource management.



Timber Price Update

Stumpage price ranges reported across Florida in the 4th quarter 2000

TimberMart-South (TMS) report were: \$14-\$29/cord for pine pulpwood, \$53-\$98/cord for pine C-N-S, \$75-\$105/cord for pine sawtimber, and \$96-\$127/cord for pine plylogs. On average, prices were the same, down, down, and up for the four products, respectively, compared to 3rd quarter prices.

Hardwood pulpwood prices ranged from \$8-\$19/cord, which was about the same

as that from the previous quarter. A more complete summary of 4th quarter 2000 stumpage prices is available at your County Extension Office.



Timber Market Conditions

This summary was derived from the annual TMS report. There is little good news to report. Pine pulpwood markets in the south vary across the region, with average prices down 24% from last year. Sawtimber is also in a slump. Many mills are "full" across the southeast, with average sawtimber stumpage prices down 11% from last year. Hardwood prices seem to be experiencing a modest improvement but vary widely across the region.

The low timber prices in our region are a reflection of excess production in other regions, namely Canada and Europe, where softwood lumber production has reached record levels, exceeding

domestic demand. To add to the surplus, U.S. imports from other countries jumped from next to nothing to 907 million board feet in 1999, and increased another 34% in the first half of 2000. The current Canadian quota on exports to the U.S. expires next April, which may mean more softwood lumber imports from our neighbor to the north if there are no further trade limits.

A critical part the domestic market is housing. Residential construction accounts for 35% of U.S. lumber demand, which is expected to reach about 18 billion board feet in 2001. This estimate is lower than 2000 demand by about 5%. The hope is for consumer confidence to remain relatively strong during the current economic slowdown so that housing starts and remodeling can pick up as interest rates change. The key is for the lumber industry to avoid a drastic increase in production to meet the improved demand (if and when it comes to pass).



Stewardship Binders

In August 2000 we began sending out new Stewardship Binders to landowners with newly completed and approved Stewardship Management Plans. The binder contains sections for your plan, property map, newsletters, workshop notes, and extension publications. If you have a complete, approved Stewardship Management Plan and have not received this or the previous tan-colored binder but would like to, please contact Chris Demers at 352-846-2375, or cdemers@gnv.ifas.ufl.edu.

