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# The Florida Forest Steward



A Quarterly Newsletter for Florida Landowners and Resource Professionals

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## Charlie, Frances, Ivan and Jeanne - Oh My! - Timber Salvage and Tax Tips

Jarek Nowak, Alan Long, Chris Demers, Rick Williams, Jib Davidson and John Holzaepfel

Just when we thought we had been through it all, another hurricane was just around the bend. We have been getting

a lot of phone calls and emails from landowners looking for answers to some important questions associated with the recent hurricane season and timber impacts. While the damage to Florida's

timberlands is still being assessed, we do know that many landowners throughout Florida are faced with difficult decisions on how to deal with their damaged or destroyed timber. The following information is from an extension publication that the UF-IFAS natural resource extension team is putting together to provide guidance to forestland owners for assessing severe

storm damage, handling salvage operations and timber sales, minimizing potential impacts of other disasters after the storm, dealing with financial issues such as income tax casualty losses, and altering management plans.

### First Assess Your Damage

The first critical step for planning salvage harvests or handling tax losses is

to determine the extent and type of damage across your property. Note on your property aerial photo or map where the major pockets of damage are. Take pictures to show the actual property

damage **before** any cleanup or salvage operations begin. The extent of tree damage and location, and average tree diameter might influence your salvage decisions. The major tree damage categories that should be noted are:

1. Uprooted hardwoods or pines.
2. Broken tops or major stems with less than four main live limbs left on the tree.

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3. Four or more main live limbs left on the tree.
4. Severely bent pines.
5. Major wounds, more than 2 inches deep and/or over 1 square foot in size.

For both hardwoods and pines, if trees are reasonably vertical and have at least four main live limbs remaining on the tree (category 3) they will probably survive, although growth will likely be reduced until the crown redevelops. They can be retained for removal in a future thinning or final harvest. Trees which are bent, broken (with three or fewer live limbs), or splintered (categories 2 and 4) probably have internal wood damage and may not be suitable for lumber or plywood but could be used for pulp or particleboard. Uprooted (category 1) and leaning trees are more likely to have undamaged wood and will be most suitable for lumber if harvested within 4 to 6 weeks, before blue stain fungi discolor the wood or wood borers get into the wood. If major wounds (category 5) are extensive, wood borers, bark beetles and decay may be a problem soon and the trees should be harvested as soon as possible. Damaged timber that will be salvaged for lumber or plywood should be harvested within 3 months of the storm.

### Roads and Infrastructure

Part of the damage assessment should focus on roads, fence lines, gates, stream crossings and any other structures on the property. If they are damaged you should note what needs to be done to maintain or repair them. Timber brokers and dealers may fix your roads for no cost or for low cost if there is enough

timber to make it worth their time. You must have enough access to support 80,000 pound log trucks and the accompanying logging equipment. Again, photographs may prove very helpful for documenting expenditures and repairs.

### ***Promptly Salvage the Stand***

If you determine that a salvage harvest is necessary, plan that harvest as soon as possible to best utilize the timber and redeem its value rather than let it go to waste and attract insects. The available salvage period varies according to the expected product but would not usually exceed 60-90 days. Salvage for pulpwood can go up to 6 months although the wood will be dry and prices probably very low. Landowners are advised to call a timber dealer, broker or consulting forester as soon as possible as time is of the essence.

Timber salvage operations are more time consuming than regular harvesting, therefore the prices paid for the damaged timber will be lower than standing stumpage timber prices. From a logging point of view, it takes two to three times as long to salvage one load of timber as it does to harvest a regular load of timber. As production time increases so does logging cost.

When you salvage your timber, be sure to get a written contract to protect the residual trees and your forest land. Identify what type of trees are to be salvaged such as broken, downed or bent and what trees are to be left on the site. Also, the contract should identify what the logger can do should the area become too wet for logging. You do not want to create unnecessary ruts on your

land during any harvesting operation. Finally, determine how you will be paid for the salvaged timber and include this information in the contract.

### **Timber Casualty Loss Deductions**

If you have trees that have blown over, had tops severed, trunks split or other damage which stopped growth or resulted in tree death, you may be eligible to file for casualty loss deductions for income tax purposes. Casualty loss is dependant on whether you experience a taxable loss or gain when you sell the salvaged timber. To qualify as a casualty deduction, a timber loss must be caused by natural or other external factors acting in a sudden, unexpected and unusual manner. A sudden event is one that is swift, not gradual or progressive. An unexpected event is one that is ordinarily unanticipated and one that you do not intend. Hurricanes should fit most of those IRS definitions.

If your timber is destroyed, your deductible loss is the allowable basis in the timber destroyed less any insurance or other compensation received. You must make a bona fide attempt to salvage the damaged timber and keep records of your attempt to do so. To claim a loss deduction, the "single identifiable object" damaged or destroyed must be identified. For timber, this identification is expressed in terms of the specific units of volume destroyed such as board feet, cords, cubic feet, etc.

Unfortunately most timber casualty losses are limited to the adjusted basis of the timber. The general rule is that the amount of deductible loss is the lesser of the decrease in the fair market value of the timber or the

adjusted basis (minus any income received from a salvage operation and/or any insurance proceeds). Part of the casualty loss deduction depends on how the timber is held, the type of property and how it is used, the timber's age and merchantability and other nontimber asset income and expenses that will influence this deduction. It is extremely important to work this out with your tax advisor and/or a knowledgeable consulting forester. Be sure to ask your forester if he or she has the necessary expertise to advise you in this area.

Casualty losses should be reported to the IRS with Federal Form 4684. It is also recommended that you make sure you get documentation of the date of the casualty, the location of the damage, property appraisals, and if possible, photographs of the property before and after the disaster occurred.

What about young plantations? If you have maintained your records of costs incurred in young damaged plantations, you may also be able to receive casualty loss deductions for those stands. The amount that you may claim is derived by dividing the costs to date by the total number of acres in plantation. The value per acre, multiplied by the number of acres destroyed, gives you the amount which may be claimed.

### Non-Business Casualty Losses

You may also deduct damage sustained to personal property, such as downed trees in your yard. To do so you need all the documentation required for business casualty losses. The amount which you may claim is based on the fair market

value (FMV) of your property. Once you have calculated the decrease in FMV caused by the loss, you need to subtract \$100.00 from the total loss for each event as well as subtract 10% of your adjusted gross income. Also, if you receive insurance or other reimbursements (such as loan forgiveness), these need to be subtracted from the amount of loss that you calculate for deduction.

A certified public accountant, a tax attorney or a knowledgeable consulting forester are the best options for high quality tax information and assistance.

#### **Additional Assistance on the Web**

The National Timber Tax Website, <http://www.timbertax.org> has all the information you will need in order to file casualty loss deductions.

The IRS Web site, <http://www.irs.gov/index.html> includes information for filing for tax deduction as well as the appropriate forms. The IRS toll-free number for general tax questions is 1-800-829-1040.

<http://disasterhelp.gov> includes information on all federal assistance programs.

[http://www.florida-agriculture.com/special/federal\\_programs.htm](http://www.florida-agriculture.com/special/federal_programs.htm) has a listing of all federal programs that deal with crop losses.

Florida Division of Forestry, <http://www.fl-dof.com> and the North Carolina State University Forestry Extension <http://www.ces.ncsu.edu/nreos/forest/disaster.html> websites have information

on pruning or removing damaged trees, as well as information for replanting.

### **Highlights of the Natural Stand Management Workshops**

A special feature of this year's Forest Stewardship Program was a workshop series on "Natural Stand Management". Three workshops were held in spring 2004 across the State to provide guidelines to landowners and land managers for managing or restoring natural forest communities in their region. Participants learned to assess the history and current condition of forest stands, set management objectives in terms of desired future conditions, and choose management options to reach those objectives. Locations included Austin Cary Memorial Forest in Alachua County, Archbold Biological Station in Highlands County, and Jackson County Extension Office. Each program was custom-planned for the region and audience. For example, many landowners in Highlands County manage large cattle operations, sod farms and vegetable crops; and the natural forest communities around these south central Florida operations differ substantially from north Florida. What the owners have in common is a desire to maintain or restore some assemblage of plants, animals, fungi, water, soil and/or fire that are naturally associated with each other in their local environment. Following is a summary of the topics that were covered.

#### **Natural Communities of Florida: Assessment and Planning for Management**

Each program began with an introduction to the various natural communities that exist in Florida and the gradients of fire

frequency and soil moisture along which they occur. For example, longleaf pine sandhills occur where the soil is well-drained and fire frequency is high (every 2-5 years), while a bay swamp is at the opposite extreme – soils are inundated with water and fire is very infrequent (every 100+ years or no fire at all). Natural stand management starts with assessing your soil conditions and fire regime to determine which community might be the best fit. The take-home point of this part of the program is that plant communities exist along gradients. The vegetation that grows on your property may be characteristic of more than one community depending on the soil, moisture and fire frequency.

### **Fire Ecology and Planning**

Florida's pine-dominated forests evolved and are maintained with frequent low intensity fire. In the absence of fire, oaks and other hardwoods will gradually dominate these sites. Burning in natural forests is usually widespread but some patches of vegetation will likely not be burned. These unburned patches add to the species diversity and wildlife food value of a stand. Other communities maintained by fire include marshes, wet prairies, and scrub. These communities are productive for both game and nongame animals. Many of Florida's rare or listed animal species are considered "fire dependant", depending on fire-maintained systems including: red-cockaded woodpecker, indigo snake, scrub jay, gopher tortoise, bobwhite quail and Sherman's fox squirrel.

Using prescribed fire in present day Florida requires planning and permitting. On the day you burn and BEFORE you burn, you must call your local Division of

Forestry office and get an authorization. You will be asked for your Section, Township and Range so have that information available when you call. You should also have a burn prescription (plan) that specifies the location and objective of the burn, fire behavior desired, weather factors, and equipment and labor needs. This prescription will help you determine if a given day is right for your burn and to make sure you have everything you need. Your county forester can provide a sample burn prescription. A must-have resource for anyone using prescribed fire in the south is the National Wildfire Coordinating Group's "A Guide for Prescribed Fire in Southern Forests". It is available for viewing on the DOF's Web site at: <http://flame.fl-dof.com/Env/RX/guide/>. You can request a copy of the full-color guide by writing to: Boise Interagency Fire Center, Attn: Supply, 3905 Vista Avenue, Boise, Idaho 83705. Order NFES # 2108.

### **Invasive Exotic Plants**

About one-third of the plant species growing in Florida are not native to Florida or the Southeast and some of these exotic plants are invasive weeds that form self-sustaining and expanding populations within plant communities with which they were not previously associated. These invasive exotic plants displace native plants and associated wildlife, and can alter processes such as fire and water flow. Invasive exotic plants have become serious problems for land managers. Despite the millions of dollars that have been spent on controlling the spread of invasive plants, the rapid and effective dispersal characteristics of these invaders make them extremely difficult to eliminate. At each program we briefly

identified the most troublesome invasive exotic plants in the region and how to control them. In north Florida the top invaders include cogongrass, Japanese climbing fern, tropical soda apple, Chinese tallowtree, air potato vine, coral ardisia, and kudzu in the most northern counties. South Florida has many challenging invasive plants including Brazilian pepper, melaleuca, old world climbing fern, tropical soda apple, and cogongrass. More attention was given to this topic at our workshop series on “Invasive Exotic Plants and Their Control”, to be summarized in the next issue of the Florida Forest Steward.

### **Income and Cost-Share Opportunities**

Most private landowners require some income from their property to pay for taxes, equipment and other needs and natural stand management can fulfill this important role. Timber, hunting or recreation leases, cattle grazing and government rental, incentive and cost-share programs are all options that can contribute toward this end.

#### Timber

If managed properly, natural stands can provide income comparable to planted stands. Especially in today’s timber market, where high value timber products are a more profitable objective than pulpwood, natural stands can be profitable because they are managed on a longer time frame and produce larger products like sawtimber, poles and veneer logs. You can expect higher revenue from a planted stand due to more control over stocking, but an economic analysis of planted vs. natural stand timber revenues in Alachua County shows that a natural stand can yield about 80% of the income generated by a planted stand (analysis

done by Dave Conser, the Alachua County DOF Forester). The benefits of a natural stand are further amplified when you account for the establishment costs of a plantation and other biological and aesthetic benefits of natural stands. If you already have a natural stand, keep it because you are likely a long way toward realizing some competitive gains with proper management.

#### Wildlife Recreational Opportunities and other Alternatives

Landowners with natural stands may be able to take advantage of several opportunities including: fee hunting, , bird watching and specialty products like ferns or moss. For hunting, a clear, concise contract should be drawn up so all concerned parties are fully aware of their rights and responsibilities. Also identify all known hazards on your property, develop written rules aimed at preventing accidents and have visitors sign a written release prior to entering the property. These enterprises involve some careful planning and marketing. See the article on marketing specialty products in the summer 2003 (Volume 10, No. 2) issue of the Florida Forest Steward, on-line at

<http://www.sfrc.ufl.edu/Extension/FFSn1/fnsn1102.htm>. Also see the Center for Natural Resources’ “Ecotourism” publication on-line at:  
<http://edis.ifas.ufl.edu/CR007>.

#### Cattle Grazing

Cattle grazing and natural stand management can go hand in hand. Several cattle operations in south central Florida are willing to sacrifice some potential grazing land to protect the unique natural features on their lands. Some, like the Lightsey family of Highlands County, are also working hard

to restore their land's hydrological function, which was modified for agricultural purposes. Grazing cattle in the savannah-like flatwoods of this region maintains a low herbaceous forest floor.

#### Financial Assistance

Several USDA and State cost-share and incentive programs are available to help farmers and forestland owners protect or restore wetlands, manage wildlife habitat, safeguard environmentally sensitive land, protect grasslands and biodiversity. Examples of these include the Wildlife Habitat Incentives Program, Conservation Reserve Program, Environmental Quality Incentives Program, Grassland Reserve Program, Farm and Ranch Lands Protection Program, Wetlands Reserve Program, and the Florida Fish and Wildlife Conservation Commission's Landowner Incentive Program (LIP). See the USDA Farm Bill Web site at [http://www.nrcs.usda.gov/programs/farm\\_bill/2002/index.html](http://www.nrcs.usda.gov/programs/farm_bill/2002/index.html) for more information about USDA programs. For more information about LIP, see <http://www.wildflorida.org/lip/>.

Many thanks to all the cooperators who made this program possible: Florida Division of Forestry, Pete Colverson and all the cooperators from The Nature Conservancy, University of Florida - IFAS, Florida Fish and Wildlife Conservation Commission, Pandion Systems, the Lightsey family of Highlands County, John Winn of the Longleaf Ecology and Forestry Society, Bob Simons, Archbold Biological Station, USDA Natural Resources Conservation Service, Jones Ecological Research Center, The Longleaf Alliance, and Chad Taylor of CCT & Associates.

## **Timber Price Update**

This information is useful for observing trends over time, but does not necessarily reflect current conditions at a particular location. Landowners considering a timber sale would be wise to let a consulting forester help them obtain the best current prices. Note that price per ton for each product is included in parentheses after the price per cord.

Stumpage price ranges reported across Florida in the 3<sup>rd</sup> Quarter 2004 Timber Mart-South (TMS) report were:

- Pine pulpwood: \$14-\$27/cord (\$5-\$10/ton), ↓ from 2<sup>nd</sup> Quarter 2004
- Pine C-N-S: \$56-\$74/cord (\$21 - \$28/ton), ↑
- Pine sawtimber: \$84 - \$120/cord (\$31 - \$45/ton), ↑
- Pine plylogs: \$101 - \$127/cord (\$37 - \$48/ton), ↑
- Hardwood pulpwood: \$13 - \$28/cord (\$5 - \$10/ton), ↑

A more complete summary of 3<sup>rd</sup> Quarter 2004 stumpage prices is available at your County Extension office. See [forest2market.com](http://forest2market.com) for weekly, South-wide, per-ton price updates for the major pine and hardwood timber products.

## **Trend Report**

South-wide average stumpage prices for all major products but pine pulpwood increased this quarter. A record number of hurricanes hit Florida and other southeast states this season. While many mills curtailed production during the storms, the effect of these storms on average stumpage prices is not yet clear. Perhaps the strong plywood sales before

the storms triggered an increase in plywood prices and the bulk of pulpwood coming out of salvage sales is not helping the situation with that product.

## Upcoming Events

**Florida Forestry Association Annual Meeting: Staying in the Game!, RESCHEDULED FOR DECEMBER - December 15-16 at The Village of Baytowne Wharf, Sandestin, FL.** For the first time in the history of Florida Forestry Association, the Annual Meeting was postponed due to the threat of a tropical event. But the Hurricane did not hamper rescheduling efforts, and only a day after the meeting was postponed, all of the speakers were reconfirmed and a contract issued to hold the 2004 Annual Meeting on the new dates. The Village of Baytowne Wharf is offering a discounted room rate for the December dates as follows: Village hotel rooms --\$95.00; 1-bedroom -- \$105.00; or 2-bedrooms -- \$135.00. All annual meeting registration fees and sponsorship support paid to the Association will be held and applied to the expenses of the rescheduled meeting. If for any reason you cannot attend the meeting on the rescheduled dates, a full refund of the registration fee(s) will be

issued. Additional information will be forthcoming by email and posted to our website. Please **call the Florida Forestry Association at 850-222-5646** if you have questions. Learn more about Sandestin by visiting [www.sandestin.com](http://www.sandestin.com).

**New Updated Master Wildlifer 2005 Program coming in February, at selected locations, seven 3-hour evening sessions, February 1 – March 15.** This round will build upon the tremendous success of Master Wildlifer 2003, which was broadcast live to 12 southern states and over 4,800 landowners, natural resource professionals, and wildlife enthusiasts. Participating sites will be announced in a brochure, to be mailed soon. The tentative site list is on our Florida Forestry Information Web site, linked below. Continuing educations will be offered for foresters and biologists.

**For more information about Florida's Forest Stewardship Program and forest management visit the Florida Forestry Information Web site at [www.sfrc.ufl.edu/Extension/ffws/ffwshome.htm](http://www.sfrc.ufl.edu/Extension/ffws/ffwshome.htm)**

### **A University of Florida Cooperative Extension Service and Florida Division of Forestry joint project:**

**Chris Demers** (editor), School of Forest Resources & Conservation, UF, P.O. Box 110410, Gainesville, FL 32611-0410, (352) 846-2375 or [cdemers@ifas.ufl.edu](mailto:cdemers@ifas.ufl.edu)

**Alan Long** (co-editor), School of Forest Resources & Conservation, UF, (352) 846-0891 or [AJLong@ifas.ufl.edu](mailto:AJLong@ifas.ufl.edu)

**Ruthie Cole** (co-editor), Florida Division of Forestry, 3125 Conner Blvd, Tallahassee, FL 32699-1650, (850) 414-9912 or [coler@doacs.state.fl.us](mailto:coler@doacs.state.fl.us)

**Chuck McKelvy** (co-editor), Florida Fish and Wildlife Conservation Commission, 3125 Conner Blvd, Tallahassee, FL 32699-1650, (850) 414-9911 or [mckelvc@fwc.state.fl.us](mailto:mckelvc@fwc.state.fl.us)

