

# THE TOP TEN

## FAMILY FORESTRY ISSUES FOR 2016

by Keith A. Argow

### ***Timber taxes returned as the #1 issue in 2016, followed by markets, forest health and Extension forestry***

For 29 years NWOA has ranked the Top Ten Family Forestry Issues with balloting nationwide. NWOA is the only national organization to undertake such an annual ranking. It is used to set the annual agenda in Washington D.C. Some state affiliates use a similar ranking system. Although membership (national and affiliate) has grown since then from 3,000 to 45,000, the voting patterns confirm that woodland owners nationwide understand very well the opportunities and obstacles before them.

#### **#1 Fair Income, Inheritance and Property Taxes**

An uneasiness among landowners over what is happening (or not happening) in national politics likely influenced the return of Timber Taxes to the #1 position. With the presidential campaign promises to “get America moving again,” either new administration will endeavor to fulfill the “mandate” voters gave them. An oft-used technique is to introduce an overhaul of federal tax policy, whether it’s needed or not. Almost everything is on the table (a lobbyist’s dream), capital gains rates (timber), and further review of estate (death) taxes. Both are “easy money” and have to rigorously defended if weakened. Woodland property taxes are a state and local issue that fund schools, fire & rescue, law enforcement and other services. All politics and forestry is local, and landowners must pay attention to new proposals. Society benefits in multiple ways from healthy forests, including clean water, wildlife habitat, a reliable wood supply for business and open space. As a rule of thumb, woodland tax rates should be no higher than \$3/acre/year.

- *Income Taxes (federal and state)*, maintain capital gains treatment for timber sales, credits for reforestation and forest management costs.
- *Inheritance Taxes*, currently at a compromise rate, but could rise again in a new tax law.
- *Property Taxes*, local governments have to seek ways to raise tax rates. What some view as “vacant” woodlands are tempting tax targets.

#### **#2 Timber Markets, Biomass and Fair Trade**

The failure of the proposed Hardwood Check-off Program in 2015 was a big disappointment to NWOA and other proponents. The small fee added to the wholesale price of lumber would have funded important world market promotions (i.e. hardwood lumber, plywood, furniture and flooring). The vote failed because many small hardwood mills just did not see the need for it. America has a world-class advantage in quality and quantity of hardwood timber, but serious competition is coming from foreign producers of artificial hardwood veneers. In November, NWOA joined the National Hardwood Federation to continue to support access to these markets.

The biomass market continues to grow, especially in the South, but not without controversy. (See *Point/CounterPoint in the Winter 2016 issue*). Most wood pellets are exported to European markets as a replacement for coal in generating electricity. Questions have been raised over just how carbon-neutral wood fired power plants are, and their long-term



**Forest landowners should be able to sell their wood into strong, reliable markets.**

impact on climate change. The Environmental Protection Agency is continuing to investigate carbon neutrality.

NWOA is a free trade organization advocating minimal governmental intervention. The Canadian Softwood Lumber Agreement expired in mid-2015. That agreement also included a one-year hiatus on formal negotiations for a new agreement which expires in a few months. Current negotiations indicate that both sides want an early resolution of this contentious issue.

- *Timber and Pulpwood*, remain alert for new markets, and work to provide reliable supply for existing mills.
- *Biomass*, continued debate on carbon neutrality, emerging and competing proposed legislation, good support from state market development agencies.
- *Carbon*, cash markets for carbon stored in woodlands are available, but for larger tracts (2,500 ac +).
- *Renewed Canadian Softwood Lumber Agreement*, NWOA is a free trade association: Markets function best with minimal government intervention. President Obama and Premier Trudeau have discussed the issue and an agreement is possible in 2016.

### #3 Invasives and Forest Health

The issue remained in third place as it was in 2015. The bad bugs and diseases are winning, but stepped up federal and state research identification and control programs are showing results. This issue of *National Woodlands* features articles on what landowners can do to identify and control the spread of invasive species as well insects and disease. If not controlled, the Thousand Cankers Disease (TCD) has the potential of devastating the black walnut industry, market for one of the most valuable hardwoods in America.

- Quarantines and Damage Control, especially emerald ash borer.
- Landowner Education, to recognize and control invasives.
- Vegetation Modification.

### #4 Extension Education and Service Forestry

The value of Forestry Extension and Service Forestry is appreciated by landowners, especially those with a hands-on attitude toward managing their land. Although the number of state service foresters and forestry extension field agents continues to decline (largely through retirements) the overall performance of natural resources education for landowners is improving. NWOA will continue to muster the needed support for funding at the national level. All state affiliates are encouraged to maintain regular contact with their state university extension programs because much of the funding is from state budgets and the allocation is determined by the university administrators. As a rule, every federal dollar should be matched by five state dollars.

Since its founding in 1983, NWOA has been the most active and outspoken advocate of Forestry Extension with the byline: "Forestry Education Beats Forest Regulation." The leaders of the landowner associations voting these issues agree, raising the issue to the Top Three for the first time in 2014 with a strong #4 position in 2015 for forestry and natural resources Cooperative Extension programs.

The Service Forestry programs (visits by a "county forester") are a largely funded by Congress through the Forest Stewardship Program administered by state forestry agencies. As more forestry laws are put on the books, there is a growing need for "regulatory foresters." State forestry agencies have to make hard choices. NWOA encourages all the affiliate state landowner associations to work closely with their state foresters to document the value of service forestry education.

- Forestry Education Beats Forestry Regulation.
- Federal/state funding for Forestry Extension programs.
- Support continued Service Forestry.
- Reverse trend of gradual reduction in both programs.

### #5 Right-to-Practice Forestry & Private Property Rights

No complaints were received on the performance of state right-to-practice forestry laws in 2015. However 2015 was not a good year for streamside (riparian) taking of standing timber for fire protection (Oregon). The Oregon Small Woodlands Association (NWOA affil.) opposed the new regulations and reduced the taking somewhat.

Recognition of private property is guaranteed in the Constitution and is as jealously guarded as the right to bear arms. As rural America continues to transform from working farms and forests to home sites without working landscapes, the character of the neighborhood changes. Eventually the composition of state and local elected officials changes too. The elected officials either reflect opinion of the new arrivals, or they are soon out of office. The best defense is for woodland owners to take action before it is too late and pass state laws that prevent restrictive local ordinances from being enacted by county and town governments. Many states



Forest pests, such as the emerald ash borer, are of grave concern as monitoring efforts show the pest rapidly spreading.

have such laws, of varying effectiveness. Check with your state association to see how well your land is protected.

As more people move into rural areas, the natural habitat of wildlife declines, causing some species to be labeled “threatened” or “endangered.” Habitat conservation regulations, including those for the northern long-eared bat, are authorized by federal law. The impact of recommended mitigations can be minimized with active landowner involvement.

- Monitor proposed federal regulations to protect habitat for the northern long-eared bat.
- Watch for new local permitting and harvest ordinances not in accordance with state right-to-practice forestry laws.

## #6 Keeping Forests as Forests

The most recent addition to the Top Ten, “Keeping Forests as Forests” was added in 2009 to reflect emerging concepts in Landscape Forestry, Ecosystem Corridors and Forest Fragmentation. Still new as a national concept, the idea is catching on with regional land use planners as a tool to guide future development including watershed regeneration zones, water quality improvements, sustainable forest product sourcing, as well as guiding land use development.

Landowners are recognizing benefits for their own woodlands when their property is surrounded by other forest lands as a forested landscape. A reliable timber base is an incentive for mills to make investments to remain competitive. With the reduction of the need for services (schools, fire protection, safety), local governments are more likely to support lower land-use property tax rates. Individually owned woodlands within a forest landscape are less subject to trespass because of fewer human neighbors. A significant benefit is management for wildlife habitat.

- Integrated forest use and wildlife corridors.
- Sustainable base for improved markets for wood.

## #7 Water Quality and Quantity

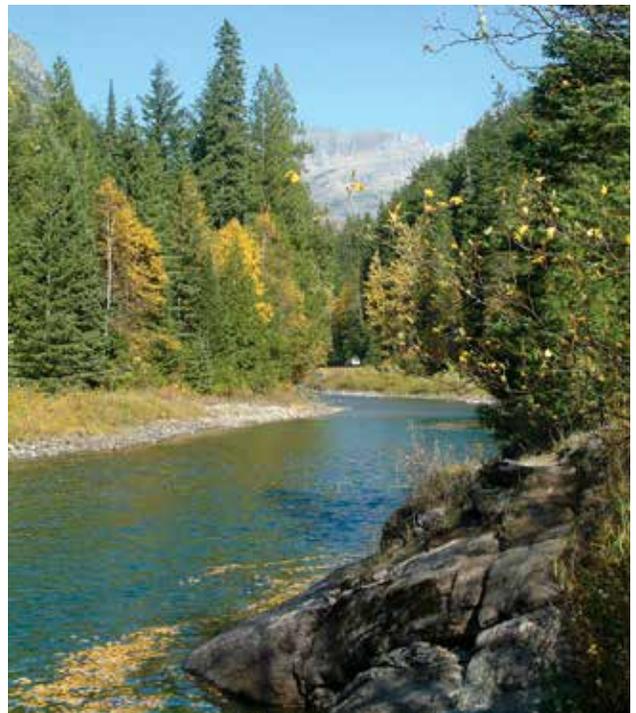
The U.S. Supreme Court upheld the silvicultural exemptions of the Clean Water Act, but new lawsuits alleging water pollution from forest roads have been filed in Oregon and Washington. The base issues of water quality continue to attract new legal challenges. Instead of resolution, the underlying issues continue to be debated in the courts. Congress is debating a Waters of the United States (WOTUS) bill that will reauthorize the Clean Water Act with stronger language. The bill has not cleared Congress, which is not unusual in an election year. The debate is bringing forward important information and light on the contentious issue.

Well-managed forested watersheds are without question the safest and most cost effective way of providing a continuous quantity of clean, good quality water. As the world is learning, the cost of water to society is whatever it costs to produce it.

- Emerging markets and incentives to produce clean water.
- Continued debate on WOTUS.

## #8 Stewardship Incentives: Cost Sharing and Tax Credit

As a result of efforts by the “Forests in the Farm Bill Coalition,” (of which NWOA is a member) the 2014 Farm Bill continued and expanded programs available to woodland owners under the Conservation Stewardship Program (CSP) and other cost share programs administered by the Natural Resources Conservation Service (NRCS). Appropriations for Forest Stewardship and Forest Legacy, funded through the U.S. Forest Service and administered by the state forestry agencies, continue to be available. Additional local and state credits for bargain sale or donation of easements, especially with land trusts, are available in many states.



Maintaining clean, fresh water is a priority for everyone.



Many forest landowners are concerned about wildfire.

- Federal tax benefits for conservation easements were made permanent in 1916.
- Emerging state and local markets and tax credits for sale/donation of easements.

### #9 Wildfire: Suppression, Fuel Reduction & Early Detection

The catastrophic wildfires of 2015 were the worst on record in several regions. Although a less active wildfire season is forecast for 2015, it will still be severe in some parts of the country, especially in the drought-stricken West. Funding for federal, state and local emergency response and preparedness is better than in 2016. Additional forest fire lookouts, an essential element for earliest detection, are being staffed this year with both paid and volunteer observers.

In 2015 NWOA announced the first nationwide wildfire insurance policy. It was a master policy in NWOA's name, and much less expensive than individual policies. For only \$115/year NWOA members could buy \$25,000 of wildfire insurance underwritten by A+ Lloyds Groups in London. Although actively promoted, response by woodland owners was less than expected.

Not enough landowners participated to offset the expense of underwriting wildfire insurance coverage nationwide, and the program was not renewed in 2016. Individual wildfire policies continue to be available, but they are much more expensive than a nationwide group policy.

- Earliest detection leads to smaller wildfires.
- Aggressive initial attack is essential.

### #10 Certification: Woodlands & Service Providers

Driven by retail markets, forest certification is here to stay. American-grown wood has an excellent reputation and demand in world markets, and those buyers usually require evidence of certified forestry practices. As forest certification has evolved over the last 15 years, the originally anticipated price premium for certified wood did not amount to much. However, improved access to markets for certified wood is taking its place. Providing wood to these markets does require the use of Accredited Loggers, an added benefit to landowners. In April, 2016, the Green Building Council announced that wood certified by the Sustainable Forestry Initiative (SFI) and Tree Farm (ATFS) would qualify for LEED approval. Previously only wood certified by the Forest Stewardship Council (FSC), was eligible. For more on this see Point/CounterPoint on page 30.

One of the most important decisions a woodland owner can make is selection of a consulting forester. Almost all state forestry or extension forestry websites maintain a directory of consulting foresters including their education, specialties and any certified credentials (ACF or CF). For more details see page 42.



- Forest certification: improved access to markets.
- Use of certified foresters and loggers.



Forest certification promises to help expand markets.