

THE TOP TEN

FAMILY FORESTRY ISSUES FOR 2017

by Keith A. Argow

Concern over the intentions of the Trump administration push timber taxes and markets to the top two positions. Worry over the future of Extension and service forestry nets third place.

For 31 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.

The damage done to woodlands by invasive species is frequently one of the top three issues selected by the leaders of NWOA's affiliated state landowner associations. However, this year it is pushed to the #4 position with the realization that if America is counting on private forests to produce half of the nation's wood supply in the future, then family forests will need to be better managed.

To accomplish this, landowners need more forestry advice and education—not less. Consulting foresters can handle timber sales and some planning, but the heavy lifting is done by forestry extension agents, along with service visits from service foresters from state forestry agencies. Both of these sources are in decline, at a time when they need to be growing.

#1 Income, Estate and Property Taxes

Income: Timber and land taxes are again the #1 issue for

NWOA Objectives:

- **Income Taxes:** maintain the reforestation tax deduction and amortization, expensing of annual forest management costs and carrying charges, and the preferential treatment of timber income as long-term capital gains for qualified sales by both investors and businesses.
- **Inheritance Taxes,** Stepped up basis is vitally important to heirs, as the fair market value of the timber, usually at date of death, is not taxable to heirs who document their basis when they subsequently sell the inherited timber. NWOA strongly defends the retention of stepped up basis in any changes to federal estate tax policy.
- **Property Taxes,** NWOA favors policies that result in lower annual property taxes for managed forest land. Policies that value managed forests in its current use, rather than highest and best use (fair market value), are a proven incentive to retain forest land in its current use and foster improved management and productivity.

woodland owners in the United States, this year by a significant margin. Part of this concern comes from President Trump's promise to restructure the federal tax code from "top to bottom." The most recent overhaul was in 1986. It was touted as a "major simplification of federal tax law." Special interest provisions were "simplified," usually by removal.

Currently, preferential long-term capital gains treatment of timber sale income is available to both businesses and investors. The first \$10,000 of qualify reforestation expenses (per year on a property by property basis) can be immediately deducted and amounts over the \$10,000 each year can be amortized as deductions over the 84 months following reforestation. NWOA strongly supports the retention of these incentives in any tax law revision.

Estate: Another major change favored by President Trump is the elimination of the federal estate tax. This is an appealing and perennial election campaign proposal that bears a closer look. The estate tax yielded \$27 billion in 2016 and has been a staple of federal tax policy for years. Current law provides a \$5.45 million lifetime exclusion per individual and \$10.9 million lifetime exclusion for a couple (2016 lifetime exclusion amounts); in 2017, the lifetime exclusion increases to \$5.49 million per individual and \$10.98 million for a couple. No estate taxes and/or gift taxes (for gifts made during lifetime) are due on amounts up to the lifetime exclusion amount. The lifetime exclusion under current policy is adjusted through an inflation adjustment annually.

In addition, under current law, basis in an asset like timber is "stepped-up" to fair market value upon death; heirs benefit greatly by this provision, since the stepped-up basis of an asset like timber is not taxed when heirs subsequently sell inherited timber, saving potentially large amounts of income tax. It is important to heirs that the timber basis is established and documented, preferably at time of estate valuation, but essential to be done before timber is sold and harvested. A documented basis is also crucial when a casualty or business loss event occurs, since the limit of casualty loss/business loss claim is the Fair Market Value or documented basis, whichever is less.

NWOA strongly defends the continued annual inflation adjustment of the lifetime exclusion. In the event that federal estate taxes are eliminated, retention of the stepped-up basis is a crucial incentive to future forest retention and improved forest management by heirs. Losing step-up would be catastrophic to future owners and to the productivity of our forests.

NWOA Objectives:

- **Avoid scrapping NAFTA and other trade agreements.**
- **Renewal of the Canadian Softwood Lumber Agreement.**
- **Expansion of biomass markets for low quality timber.**

Property: Estate and income taxes aside, steadily rising property taxes continue to concern landowners at the local level. Even with land-use regulations in place in almost all counties, property tax rates continue to rise in many jurisdictions. Settlement of these issues lies primarily with the state landowner associations, and NWOA will help whenever we



Competition between Canadian sawmills and U.S. mills like this prominent Maine operation, will be influenced by the yet-to-be-negotiated Softwood Lumber Agreement.

There is no justification for taxing woodlands to pay for schools, hospitals and other community needs, but woodlands have little voter constituency. The best hope is to secure the support of people who do not own woodlands but do appreciate the benefits everyone receives from healthy forests. As a rule-of-thumb, tax rates on woodlands should be no higher than \$3 per acre per year. In some cases, a lower rate (\$1/acre/year) is reasonable, especially if wetlands are present.

#2 Timber Markets, Biomass and Fair Trade

The gradual recovery from the recession is still evident with the continuing increase in housing starts. There is also improvement in both hardwood and softwood market prices. While prices for pulpwood continue to be variable, the market for woody biomass is generally strong, especially in the Southeast, where pellets are exported as a replacement for coal to fuel European power plants.

The arrival of the Trump administration has significantly altered the debate over just how carbon-neutral wood fired power plants really are, along with their long-term impact on climate change. Stringent clean air rules established by the Obama administration have been rolled back by the president, and Congress could further weaken those rules.

Even though President Trump has promised help for the beleaguered coal industry, no firm plan of action has been announced. With more local biomass-fueled utilities coming on line in the U.S., it follows that there should be a continuing demand for low-value trees. This would benefit the owners of many eastern hardwood forests. There is strong state support for wood pellet mills in the northern New England states, and continuing solid support throughout the Southeast.

NAFTA: The elephant in the trade parlor is President Trump's campaign promise to revisit and perhaps exit the North American Free Trade Agreement (NAFTA). This contentious issue will continue to be hyped, but there are

NWOA Objectives:

- **Increase funding of RREA to offset losses due to inflation.**
- **Unqualified support for the Forest Stewardship Program.**
- **Active involvement in forestry in the Farm Bill Coalition.**



Invasive species such as the emerald ash borer are of great concern to forest landowners.

limits to how much of NAFTA can be changed by executive action alone. A revision of NAFTA would include details that Congress would have to agree upon, and that won't happen without a fight.

Of immediate concern to U.S. forest landowners is the renewal of a trade agreement with Canada concerning softwood lumber imports. It's been the subject of serious negotiations since the final months of the Obama administration. The Canadian press is full of doom and gloom around the issue, but some provinces, especially British Columbia, continue to work hard for a compromise.

NWOA is a Fair Trade organization that favors minimal government intervention in the marketplace. This is not always a popular position. We believe that America's premier forest products—quality hardwoods, dimension softwood lumber and logs, as well as treated southern pine products—can compete effectively at home and in the world market without protective tariffs. Trade wars encourage retaliatory actions that will take money from landowners' pockets as effectively as taxes.

#3 Extension Education and Service Forestry

Since 1983, NWOA has been an outspoken advocate of forestry Extension and service forestry with the motto, "Forestry Education Beats Forest Regulation." The reason is simple: Landowners alone can appreciate just how important forestry extension programs, as well as periodic visits by a state service forester, really are.

This year the ballots reveal a growing concern over the future of both forestry extension and service forestry. The breadth of our affiliates' concern is nationwide. In 2017 the issue nudged Invasives and Forest Health for a spot in the top three issues, which in itself is a statement. Nearly everyone is worried by the rapidly growing problems caused by invasive species, especially plants.

Federal funding has been unspectacular but steady, and the allocation is difficult to identify in the budget. However, state legislatures are responding to the efforts of state landowner associations by continuing to match federal extension appropriations \$5 to \$1. With a decline in field extension foresters, there is more emphasis on the use of webinars on the Internet.

NWOA understands the new directions in education, but remains strongly in favor of face-to-face mentoring and

demonstrations, especially with neighbor working groups. The Renewable Resources Act of 1978 (RREA) has been a small, but essential source of funding. In spite of inflation, appropriations have remained steady for many years, resulting in a reduction of available dollars. RREA appropriations must be increased.

In the past decade there has been a decline in the number of county-level service foresters employed by many state forestry agencies. In some states they remain at the local level, but their duties shift toward law enforcement. Fortunately, most state forestry agencies continue to provide introductory visits from service foresters, but the wait times can be months.

Family landowners own half the woodlands in the U.S. and teaching good forest practices through service foresters and Extension forestry programs is less expensive than enforcing the growing number of laws and regulations. NWOA continues its unqualified support for the federal Forest Stewardship Program administered through state service foresters.

#4 Invasives & Forest Health

Articles in recent issues of *National Woodlands* have explained and deplored the serious spread of invasive plant species into U.S. woodlands and the expensive damage that results. The introduction of unwanted plants, insects and animals, coupled with the spread of disease and insect infestations—along with the frequent failure of quarantines—present grim prospects for damage control. Although ranked #4, there is no more serious issue threatening forest health in the United States than attacks by invasive species—both flora and fauna.

If not controlled, Thousand Cankers Disease (TCD) has the potential to devastate the black walnut industry, which uses one of the most widespread and valuable hardwoods grown in America. Every year the emerald ash borer (EAB) continues to spread, likely eradicating the ash species, especially white ash in eastern forests.

There is some hope that introduced predators could save

NWOA Objectives:

- **Increase funding for control of destructive invasive insects and diseases.**
- **Maintain current cost share programs.**
- **Support forestry Extension courses on how to recognize and control invasive species.**

NWOA Objectives:

- **Monitor proposed federal legislation for any “taking without compensation” provisions and oppose them.**
- **Highly recommend that affiliates review the “right-to-practice” forestry laws in their states. Some have been compromised after being enacted.**
- **If there is no law yet, affiliates are urged to get one passed before it is no longer feasible.**

a much-reduced range of ash species. Among invasive plants, cogon grass, Japanese stilt grass and wild mustard are among those causing serious failures in natural regeneration, the primary method through which hardwood forests are propagated. Control efforts are expensive and must be frequently maintained.

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

Respect and recognition of private property is guaranteed in the U.S. Constitution and is as jealously guarded as the right to bear arms. Both issues are expensive to defend and stir strong emotions among the aggrieved. As rural America continues to transform from working farms and forests to homesites—replacing working landscapes—the character of the neighborhood changes.

Newer rural residents may complain about unexpected logging on nearby lands, especially if they can see and/or hear it. As the composition of state and local elected officials changes, reflecting the votes of the new arrivals, there is a



Working forests provide much of the fresh water consumed by Americans.

growing likelihood of more “anti-logging,” or even outright “anti-forestry” local ordinances.

The best defense for woodland owners is to act before it is too late and enact state laws that prevent restrictive local ordinances from being imposed by county and township governments. It is imperative that “right-to-practice” legislation is enacted at the state level, trumping inconsistent and unpredictable local jurisdiction.

Although many states have preemptive laws on the books, it is understandable that local jurisdictions will continue to seek special exemptions, and many have. Twenty years ago Virginia enacted what was thought to be a model law. NWOA honored it with the “Outstanding Forestry of the Year Award.” Before long, however, it was appealed in court by local jurisdictions upset by the loss of their regulatory authority. The case worked its way through the legal system and eventually led to a decision by the state supreme court.

While the court left the law on the books, its effectiveness was considerably weakened. The amended law is better than an outright ban on forestry activities, but it should have been enacted years earlier before county and local municipal governments had grown strong enough to mount effective opposition.

NWOA believes that a landowner’s right to own and steward private property is fundamental to the American way of life. Woodland owners can and should assert these rights through responsible and sustainable land stewardship. Twenty eight

NWOA Objectives:

- **Keeping forests as forests is very important to the public interest and to woodland owners.**
- **Continue to research Landscape Level Forestry proposals to identify benefits and restrictions to landowners.**
- **Help identify forested landscapes with sustainable management that would encourage investment for new mills.**

years ago NWOA announced the widely respected Private Property Responsibility Code, which is still our standard (see www.nwoa.net). This code is our commitment to protect and honor the bundle of rights and responsibilities that go with the stewardship of private land. Twenty six of our 42 state affiliates have adopted the same or similar codes.

#6 Keeping Forests as Forests

The most recent addition to the Top Ten, “Keeping Forests as Forests” was added to reflect the emerging concepts of Landscape Forestry, Ecosystem Corridors and Forest Fragmentation. Still in its infancy as a national concept, the idea of “keeping forests as forests” is catching on with regional land use planners who see it as a tool to guide future development, including suburban subdivisions and the location of industrial parks. With the active involvement of NWOA’s affiliated state landowner associations, this concept could better define the role of working private woodlands within the urban sprawl.

If working forest boundaries can be identified with the cooperation of landowners with a firm time commitment, it could be possible to provide a wood sourcing area productive enough to attract investment in forest product mills.

NWOA Objectives:

- **Promote the concept of water quality trading.**
- **Seek 95 percent Best Management Practices compliance.**
- **Support cost share for tree planting in riparian zones.**

The concept is easier discussed than implemented. A few years back the U.S. Forest Service proposed a landscape-level project in western Massachusetts consisting of an amalgamation of state lands, private lands with conservation easements and a core of federal lands, with the goal of protecting environmentally sensitive sites.

Dubbed the Berkshire National Forest, the concept provided insight into how landscape level forestry might work. Although the public hearings gathered information helpful to the concept, they also revealed widespread resistance to the idea of creating a “new age” national forest and possible loss of some private land tax base.

#7 Water Quality & Quantity

Whether or not the extreme weather events in recent years are the result of global climate change, one thing is abundantly clear: water—either too much of it or too little of it—is an issue of national importance. 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.

More than 90 percent of forest landowners make sure that loggers follow best management practices (BMPs) when their timber is harvested. An even higher compliance rate is achieved by operations on Certified Forests. Although the logger is the one cited for violations, it is ultimately the responsibility of the landowner to assure compliance by insisting on a well-drafted timber sale contract which should be provided by the forester. State laws are quite clear: Water flowing from your land must be of the same quality as the water flowing on to it.

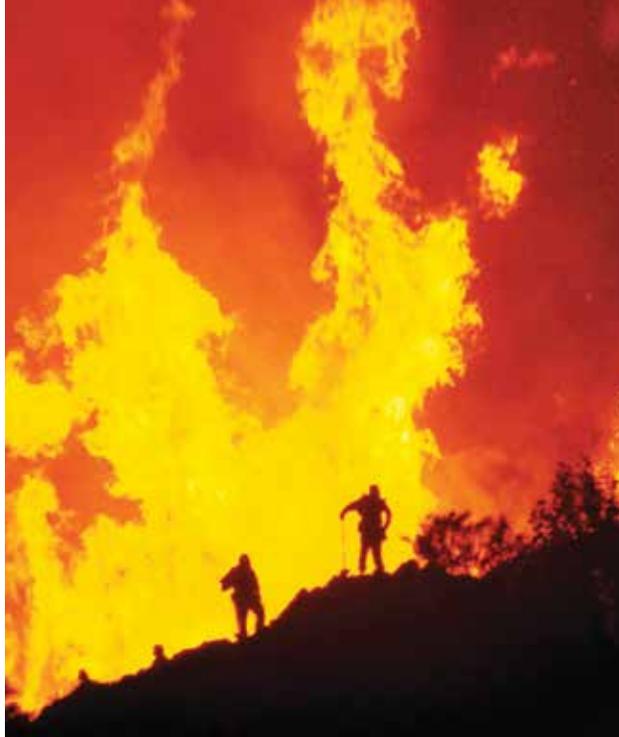
The emergence of Water Quality Trading could offer market options for landowners. Some early indications of how such a market might work are described in this quarter’s column by the National Association of State Foresters which begins on page 28.

#8 Stewardship Incentives: Cost-Sharing & Tax Credits

Federal forestry cost-share programs (FIP, SIP, ACP, FLEP, Soil Bank) have disappeared in the last two decades. As a result largely of efforts by the “Forests in the Farm Bill Coalition,” (of which NWOA was a member) the 2014 Farm Bill continued and even expanded programs available to

NWOA Objectives:

- **Assist in confirmation that the public benefits of forestry and conservation cost share programs.**
- **Protect conservation tax credits in the next federal tax reform bill.**



Wildfire is a forest landowner concern that only seems to get worse.

woodland owners under the Conservation Stewardship Program (CSP) and Environmental Quality Investment Programs (EQIP) administered by the Natural Resources Conservation Service (NRCS) and the Conservation Reserve Program (CRP) by the Farm Service Agency. Appropriations for the Forest Stewardship and the Forest Legacy programs, funded through the U.S. Forest Service and administered by the state forestry agencies, remain fairly constant, even in a tight budget, which reflects the effectiveness of the programs.

NWOA is also a member of the current Forestry In the

NWOA Objectives:

- **NWOA advocates permanent federal funding sources for wildfire.**
- **Work with state forestry agencies to support state funding.**

Farm Bill Coalition, which is working to maintain and expand cost-sharing in the 2018 Farm Bill. In addition to cost sharing, NWOA works with the Land Trust Alliance and to assure that hard-won and valuable tax credits for working forest easements are effectively drafted and registered, and not abused.

#9 Wildfire: Suppression, Fuel Reduction, Early Detection

2016 was another year for catastrophic wildfires. Congress came very close in December to passing a law establishing permanent funding for wildfire to keep agencies from “borrowing” money (it is not always returned) from other accounts, including forestry programs for private landowners. About half of the U.S. Forest Service’s national forest management budget is now spent on fire control and preparedness, but catastrophic wildfires continue to occur throughout the U.S. Similarly, state forestry agencies, whose fire responsibilities include most private lands, are having difficulty securing adequate fire funding.

Earliest possible detection, often achieved by fire lookouts,

and aggressive initial attack are the two most effective activities to protect woodlands from wildfire. As NWOA often tells members of Congress: “small landowners can only afford small fires.”

Woodland owners can limit their risks of wildfire by forest thinning and reducing fuel loads. Often this can be accomplished by careful use of prescribed fire to restore natural ecosystems. The Winter 2017 issue of *National Woodlands* focused on the why and how of prescribed fire. For public land, Congress has passed the Healthy Forests Restoration Act with the goal of reducing fuels and fire hazards on public lands. Unfortunately, many of these projects are challenged with environmental lawsuits. Until resolved in court, they are not implemented.

#10 Certification of Loggers, Foresters & Forest Practices

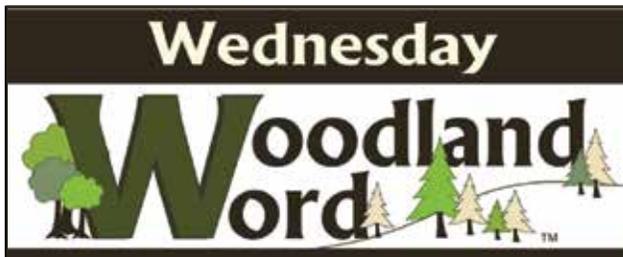
Although this issue has a lock on last place, the certification of loggers, foresters and woodlands is important for forest landowners. In addition to ourselves, loggers are the most important people we allow on our woodlands. Their skill and integrity have a lasting impact on the quality of the next timber crop. Since 1986, NWOA has openly advocated the use and education of certified or trained loggers. Active

NWOA Objectives:

- **Increase the interest among consulting foresters in working with family forestry clients through greater involvement in NWOA.**
- **Urge every state to require a degree in forestry before a person can present themselves as a “forester.”**

training programs for loggers can be found in most states. Be sure your logger is adequately trained.

The ability of landowners to obtain the services of professional foresters is essential. Almost every state forestry agency maintains a list of consulting foresters, which includes their education and specialties. These lists have improved greatly in recent years. Certification of forest practices by third parties is now the norm in almost all states, through Tree Farm, SFI and FSC. While certification rarely offers an additional premium on the sale price of timber, it often does expand the market for timber sales and number of bids offered.



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Here's what was featured in the Spring Quarter of 2017:

How to:

- 4-Jan Limb & Buck Safely
- 11-Jan Landowners Guide to Fed Income Tax
- 18-Jan Prevent Timber Theft
- 25-Jan Managing Forests for Birds
- 1-Feb Get More Heat From Less Wood
- 8-Feb Install a Culvert on a Woods Road
- 15-Feb Get Your State's Forestry BMP Manual
- 22-Feb Determining a Champion Tree
- 1-Mar Increase Monarch Butterfly Populations
- 8-Mar Measure Using Compass and Pacing
- 15-Mar Evaluate & Manage Storm Damage
- 22-Mar Keep Ticks Off
- 29-Mar Poison Ivy, Oak & Sumac Treatments

In The News:

- 4-Jan Bringing Back Diversity in Eastern Forests
- 11-Jan Understanding Income Tax Videos
- 18-Jan Are Forests a Good Investment?
- 25-Jan How Landowners can tap into Carbon Markets
- 1-Feb Environmental Rollbacks Could Hit Forest Owners Hard
- 8-Feb Interview With Lyle Laverty
- 15-Feb Exhibit Tells Ohio's Forestry Story
- 22-Feb Technology is Future of Forest Industry
- 1-Mar Stevia Kills Lyme Better than Antibiotics
- 8-Mar Greenpeace Admits Attacks not Fact-based
- 15-Mar USFS Teaches Prescribed Burn Course
- 22-Mar ID Salvage Model for Wildfire & Jobs
- 29-Mar Bears Bigger Killers than Thought

Forest Science:

- 25-Jan Fungi - King of the Forest
- 1-Feb How Much Drought can a Forest Take?
- 8-Feb How Many Trees are on Earth?
- 8-Mar How Nature Creates Diversity
- 15-Mar Chestnut Poised for Return
- 22-Mar NCSU Prof Awarded Prize in Science
- 29-Mar Managing Brushfires for Safety & Diversity

Other articles of interest:

- 4-Jan Biomass a Hurdle for Rural Development
- 4-Jan 5 Myths about Cold Survival
- 11-Jan Timber Tax Tips for 2016
- 11-Jan Timber Loss Deductions
- 18-Jan Brands Look to Combat Deforestation
- 18-Jan The Importance of Containing Ferns
- 25-Jan Goatscaping - Control for Invasives
- 1-Feb Softwood Lumber Board Video
- 8-Feb Tree Planting Across Generations
- 15-Feb Log-A-Load Donates \$575K to Children's Hospital
- 15-Feb Wood - Photo Book of Timber Architecture
- 22-Feb Teachers Learn Forestry
- 22-Feb Forest-Therapy Session Wasn't Weird
- 1-Mar Forest "Islands" Offer Refuge
- 1-Mar 16 Invasives Sold at Garden Centers
- 8-Mar What Bird are you Most Like?
- 15-Mar Weird Ways Invasive are Introduced
- 22-Mar International Day of the Forest
- 29-Mar More to Silvopasture than Cows & Trees

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