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CAPITAL IDEAS

The Newsletter of the Alabama Forest Owners' Association, Inc.

Advocate for the Forest Owner

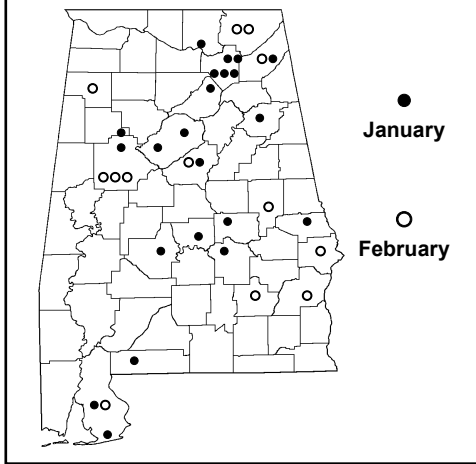
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P. O. Box 361434
Birmingham, Alabama
35236-1434



CALENDAR OF EVENTS



JANUARY 2024

January 1...Shelby County 5:15 - 8:15 AM. **First Day Hike** at Oak Mountain State Park at the North Trailhead for a pre-sunrise hike to King's Chair. Use Front Gate Entrance Only. This is considered an advanced hike for some. Not stroller friendly. Wear good shoes/boots, bring water, bring snacks, and bring a flashlight as it will be dark. The hike will begin at 5:30 so arrive early. For more information call Oak Mountain State Park at (205) 620-2520.

January 1...Baldwin County 9 AM. **First Day Hike** at Gulf State Park, 20115 State Park Road, Gulf Shores. Meet at the end of Lake Shelby parking lot. The park naturalist will lead this fun and silly 2.3 mile hike. Hot chocolate available prior to the hike.

January 1...DeKalb/Jackson/Marshall County 9 - 11 AM. **First Day Hike** at Buck's Pocket State Park will meet at the Camp Store, 393 County Road 174, Grove Oak. Join park staff for this 2 mile out & back hike. This hike is considered moderate to hard due to elevation change. Weather dependent. Bring water, snacks/lunch, and sturdy walking shoes/boots. Fee: \$5; for parking. If weather is questionable call the park office at (256) 622-8400.

January 1...DeKalb County 9:30 AM - 2:30 PM. **First Day Hike** at DeSoto State Park will meet at the Country Store & Information Center, County Road 89, Fort Payne. This 7 mile hike is considered moderate. Weather dependent. Bring water, snacks/lunch, and sturdy walking shoes/boots. If weather is questionable call the park lodge at (256) 845-5380.

January 1...Marshall County 10 AM - 12 Noon. **First Day Hike** at Lake Guntersville State Park, 1157 Lodge Drive, Guntersville. Meet in the lodge lobby. This 3 mile hike is considered moderate difficulty so wear good shoes/boots and bring water. For more information call (256) 571-5444.

January 1...Lee County 2 - 3 PM. **First Day Hike** at Chewacla State Park. This is a hike to the waterfall. It is for all ages and will include a

scavenger hunt. Meet at the nature center located at the second parking loop in the park. Fee: \$2-4; depending on age. The fee is for entrance to the park.

January 3...Crestview, Florida 10 AM - 3 PM CT. **Wild Things (Wild Birds, Wild Flowers, & Wild Plants)** will meet at Okaloosa County Extension, 3098 Airport Road. The Florida Women Landowners Association (FWLA) is hosting this meeting for women landowners to connect and learn how to manage native fauna and flora. Fee: \$20. For more information email the FWLA at fwla.contact@gmail.com.

January 3...Autauga County 12 Noon - 1 PM. **Lunch & Learn: Why Plant Native Species** at Autauga County Extension, 2226 Alabama Highway 14, Autaugaville. Regional Extension Agent Lynn Dickinson will discuss why it's important to plant native species, and how to create a plan that will help you determine what to plant, where to plant it, and a timetable for your goals and objectives. Bring a lunch to enjoy during the presentation. For more information contact [Lynn Dickinson](mailto:Lynn.Dickinson@vt.edu) at (334) 303-8360.

January 4-5...Online. **Mapping With Drones** will be presented via Zoom. The major goal of this workshop is to provide professionals with the knowledge to operate a drone legally, safely, and effectively. The introductory level professional development opportunity can be considered as a drone boot-camp. No prior 'drone' operation or mapping experience is necessary. This workshop prepares individuals to take the FAA's Part 107 test. Registration closes about 1 month prior to the workshop. Fee: \$250. For more information contact Virginia Tech's John McGee at jmcg@vt.edu.

January 6-7...Jefferson County. **Trappers Education Workshop** at 2840 Eastern Valley Road (Highway 119), Leeds. The workshop passes on the historical aspects of trapping, biological information concerning furbearers and furbearer management, and allows students to learn the proper techniques that include the use of trapping as a sound wildlife management tool. Recommended ages 7 and up. Pre-registration is required. Fee: \$10. For more information contact [Mike Sievering](mailto:Mike.Sievering@vt.edu) at (205) 340-1183.

January 9...Fayette/Jefferson/Tuscaloosa Counties. **Special General Election** will be held for the vacant Alabama House District 16 seat.

January 9...Madison/Marshall/Blount Counties. **Special Primary Election** will be held for the vacant Alabama Senate District 9 seat. The seat became vacant after Senator Clay Scofield resigned. A primary runoff, if needed, will take place on February 6, 2024. The special general election will occur on April 23, 2024.

January 12...Calhoun County 9 - 11 AM CT. **Basics for Farm and Forest Recordkeeping** at the Oxford Civic Center, Room 101, 401 McCullars Lane, Oxford. Introduction to recordkeeping for farmers and forestland owners. Topics will include enrollment in the Current Use tax program, enrolling with the Farm Services Agency as well

as an overview of the programs and services that they offer, and learning about the wide variety of records that you should be maintaining as a forest landowner. For more information contact [Amy Gaddy](mailto:Amy.Gaddy@vt.edu) at (256) 689-8041.

January 17...Dallas County 10 AM - 1 PM. **Wild Pig Management** at the Southern Sportsman Hunting Lodge, 9022 Highway 80 West, Tyler. Wild pigs can quickly outcompete native wildlife through their high reproductive potential, lack of natural predators, and effective forage capability. If you have wild pigs on your property, attend this event to find out the latest management techniques. For more information contact [Lynn Dickinson](mailto:Lynn.Dickinson@vt.edu) at (334) 303-8360.

January 18...Elmore County. **Annual Nonpoint Source Conference** at the Wetumpka Civic Center in Wetumpka. The conference format consists of presentations on projects, topics, efforts associated with nonpoint source pollution and its impact on water quality. For more information contact [Susan Summerlin](mailto:Susan.Summerlin@vt.edu) at (334) 394-4354. *Editor's Note: Nonpoint Source Water Quality Regulations have a direct affect on the management of, and income from, your land.*

January 19 - February 4...Marshall County. **Eagle Awareness Weekends** at Lake Guntersville State Park, 1155 Lodge Drive, Guntersville. This program runs through a select number of weekends in January and February. Watch Bald Eagles glide across the sky and view their nesting sites. Guided interpretive programs held each weekend will help you get in touch with one of America's greatest symbols. Day passes are available on a limited basis. For pricing & reservations, call Lake Guntersville State Park at (256) 571-5440.

January 20-21...Escambia County. **Trappers Education Workshop** at 1133 Bell Creek Road, Atmore. The workshop passes on the historical aspects of trapping, biological information concerning furbearers and furbearer management, and allows students to learn the proper techniques that include the use of trapping as a sound wildlife management tool. Recommended ages 7 and up. Pre-registration is required. Fee: \$10. For more information contact [Mike Sievering](mailto:Mike.Sievering@vt.edu) at (205) 340-1183.

January 22-26...Montgomery County 8 AM. **Learn to Burn** attendees will experience a day-long "start to finish" learning opportunity. Actively participate with ignition patterns, holding techniques, and mop up. The prescribed burn will be conducted on the first available burn window between January 22-26. Depending on weather conditions, selected participants will be given 2 days advanced notice before the program is held. Register early as space is usually limited. For more information contact [Bence Carter](mailto:Bence.Carter@vt.edu) at (334) 389-4055.

January 23...New Albany, Mississippi 6 PM. **Cogongrass** at the Union County Extension Of-

STANDING TIMBER VALUES				
	Hardwood Pulpwood		Oak Sawtimber	
	\$ per ton		\$ per ton	
Alabama	3Q22	3Q23	3Q22	3Q23
North	19.71	14.65	51.85	49.51
South	17.55	12.53	51.72	45.63
Average	18.63	13.59	51.79	47.57

Hardwood Pulpwood — 5,800 lbs./cord
Oak Sawtimber — 17,500 lbs./1000 Board Feet (Doyle)
3rd Quarter, 2022 (3Q22) and 3rd Quarter, 2023 (3Q23)
from Timber Mart-South, University of Georgia.
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M1 01/2024

STOCK MARKET REPORT			
		Price Per Share	
Company or Fund Name		12/15/22	12/15/23
PotlatchDeltic Corp. (PCH)	REIT	46.42	46.70
Rayonier (RYN)	REIT	33.93	33.24
Weyerhaeuser Co. (WY)	REIT	31.76	33.34
Louisiana Pacific (LPX)		62.96	67.24
WestRock (WRK)		35.79	42.54
CUT	ETF	31.62	33.30
WOOD	ETF	73.97	79.12

Stock Market Report courtesy of Alan Jordan, Birmingham Investment Group, Birmingham, Alabama.

LUMBER & SHEATHING PRICES		
	12/15/22	12/14/23
2 x 4 untreated framing lumber*	\$415	\$460
7/16" Oriented Strand Board **	\$205	\$355

* 2x4 #2&Btr Southern Pine Eastside (f.o.b. mill) (per 1,000 board feet)
** 7/16" OSB South (East) (f.o.b. mill) (per 1,000 square feet)

- Dow-Jones Industrial Average: 37404.35
 - 10-year Treasury yield: 3.893%
 - Dollar: 142.12 Yen; Euro: \$1.1011
 - Oil: \$73.89/barrel
 - Gold: \$2,039.10/roy ounce
- Source: *The Wall Street Journal*, 12/22/23

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SELLING OR BUYING LAND?

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DID YOU BUY GOLD back around the fall of 2007? If you did and you held it these past 16 years, you are no doubt well aware that the value per ounce has now doubled. And you haven't had to pay property taxes on your gold each year for 16 years. Of course, you didn't hunt or camp or hike on your gold either, so there's that.

BUSINESS IDEA—OH DEAR. American Airlines has agreed to pay \$100 per ton to have sawdust compressed into bricks and buried (*forever*) to lock up the carbon in the sawdust for "a thousand years." So the next time you fly on American, recognize that they could have paid their mechanics and pilots a little more to get the best, but they didn't. Source: *The Verge*, 11/28/23 or *The Wall Street Journal*.

CLASSIFIED SECTION

CERTIFIED PUBLIC ACCOUNTANTS

JamisonMoneyFarmer PC Tuscaloosa, AL (205)345-8440
Richard, Harris, Ingram and Bozeman, PC (334)277-8135

CONSULTING FORESTER - Member: ACF

C. V. Forestry Services Clayton, AL (334)775-8345
Melisa V. Love, RF, ACF Opelika (334)745-7530
Joseph E. Rigsby, RF, ACF Georgiana (334)265-8200
Larson & McGowin, Inc. Mobile, AL (251)438-4581
Eddie Carlson, RF, ACF Montgomery (334)270-1291
McKinley & Lanier Forest Res. Tuscaloosa (205)344-5139
Gibson Forest Mgmt., Inc. Aliceville, AL (205)373-6168
Forestall Company, Inc. Hoover 1-800-844-0904
John R. Stivers, RF, ACF, CF AL & GA (334)253-2139
Sizemore & Sizemore, Inc. Tallassee, AL (334)283-3611
J. Pat Autrey Fort Deposit (334)227-4239
F & W Forestry Services LaFayette (334)864-9542
M & W Forestry Consultants Ozark, AL (334)432-0467
Edward F. Travis, RF, ACF Mobile, AL (251)408-1467
Forest Management Specialists Florence (256)810-6876

CONSULTING FORESTER

Stewart Forestry Services, Inc. Decatur, AL (256)350-9721
Midsouth Forestry Services, Inc. Gordo, AL (205)364-7145
Eddie Stone, RF Moody, AL (205)837-4466
American Forest Mgmt. Prattville, AL (334)358-2345
Southern Forestry Cnslt. Enterprise, AL (334)393-7868
Eiland Forestry & Real Estate Trussville (205)655-0191
Foster Land Management, LLC Central Ala. (205)826-7741
Lang Forestry Consultants Central/South AL (334)327-9294

CONSULTING FORESTER (Continued)

Cliff A. Logan & Associates, Inc. Eutaw, AL (205)372-9321
Richard Crenshaw, RF Greenville, AL (334)382-3826
M. Tyler Travis, RF Citronelle, AL (251)406-9485
Taeda Forest Management Andalusia, AL (334)726-4474

INSURANCE

Hunting Lease & Timberland Liability Group Policies
Alabama Forest Owners' Association (205)624-2225

LAND FOR SALE

Tutt Land Company www.tuttland.com (334)627-4004
Carlson Land Services Montgomery (334)270-1291
Hudson Hines Real Estate www.hudsonhinesrealestate.com
American Forest Mgmt. Prattville, AL (334)358-2345
Southeastern Land Group, Inc. 1-866-751-5263
Farm & Timber Land AL, GA, TN, FL www.selandgroup.com
John Hall & Co. www.johnhallco.com (334)270-8400
National Land Realty NationalLand.com (855)NLR-LAND
Larson & McGowin, Inc. Mobile, AL (251)438-4581
Southeastern Realty & Auction Co John Hall (334)534-0525
Longleaf Land Co. LLC longleafland.com (334)493-0123
Mossy Oak Properties - Logan Land Co. 1-877-377-5263
Travis Timberlands www.edwardfravis.com (251)408-1467
The Southern Land Brokers (334)224-9520
Sizemore & Sizemore, Inc. Tallassee, AL (334)283-3611
Wooten Real Estate www.OWACC.com (912)375-3366

LAND MANAGEMENT SERVICES

Scotch Land Management, LLC Fulton, AL (334)637-2128
Matt Sams, RF Selma, AL (334)419-7929

NUISANCE WILDLIFE CONTROL

Rabolli Environmental, Inc. (205)277-9426

POND MANAGEMENT

Honey Hole Fisheries Ralph, AL (205)333-3665

POSTED SIGNS

Alabama Forest Owners' Association (205)624-2225

REAL ESTATE APPRAISALS

Larson & McGowin, Inc. Mobile, AL (251)438-4581
Tuscaloosa Appraisal Service, Inc. (205)752-8999
Sizemore & Sizemore, Inc. Tallassee, AL (334)283-3611
Edgar Reeves Selma, AL (334)872-0491

TIMBER BUYER

Blue Ox Forestry, Inc. (334)410-0647
Ideal Timber Company, Inc. (334)375-2895
4Green Forestry, Inc. (334)300-0241
Buchanan Timber & Forestry (334)872-0491

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TREE SEED FOR SALE

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Tax Tips for Forest Landowners for the 2023 Tax Year

Yanshu Li, Tamara L. Cushing, and Gregory E. Frey

As a private forest landowner, you may start to think about timber-related federal income taxes only after having a timber sale. However, each forest activity you conduct can have tax implications. Generally, all income received is taxable unless excluded by tax law, and nothing is deductible unless a provision allows it. Understanding the forest-related provisions and integrating tax planning into your forest management can help lower your tax.

This publication is intended to be an informational and educational resource for you and your tax advisor, but is not intended as financial, tax, or legal advice. Please consult with your tax advisor concerning your particular tax situation. The information is current as of December 15th, 2023.

Know the Tax Classification of Your Forest Ownership

The classification of your forest ownership has important implications for applicable tax rates, availability of deductions, and filing requirements. Your forest property generally falls into one of the following three broad categories:

- 1) **Personal use or hobby.** Your primary purpose for owning the property is for personal enjoyment or hobby, rather than making a profit. Tax deductions are limited under this category.
- 2) **Investment.** You have a profit motive for the property; however, your activities do not rise to the level of a trade or business (see below). Specifically, your primary purpose for owning the property is to make money (such as timber income or property appreciation), but the activity on the property is not continuous or regular. Tax deductions are relatively limited.
- 3) **Trade or business.** You have a profit motive and your forestry activities are conducted in a business-like manner. Your involvement in the business may be material participation or passive (determined on an annual basis). Material participation implies regular, continuous, and substantial activity and will result in more favorable tax deductions. Losses from passive activities are only deductible against passive income.

Some farmers may own forests as a small part of their farming business and receive periodic income from timber sales. Tax rules for timber sales generally apply in these cases. In general, income tax provisions do not treat forestry as part of the farming business with a few exceptions.

The Internal Revenue Service (IRS) determines whether an activity has a for-profit motive or meets the material participation test based on many factors. Objective facts carry more weight than a taxpayer's statement. Record keeping is crucial to substantiate your profit motive and level of involvement. See IRS Publication 925 and FS-2007-18 for more details.

Example 1. You own a 40-acre forest property primarily for timber sale income. You occasionally visit it to stay close to nature. A forester has developed a forest management plan with timber production as one of the

management objectives. You follow the plan's recommendation and update it as conditions necessitate. You may classify the timber as an investment for Federal income tax purposes.

Understand Timber Sale Income and Recovery of Timber Basis

Your taxes on timber sales hinge on many factors, including your forest ownership classification, holding period, and the method of selling timber. You pay taxes on the net income from timber sales, rather than the gross proceeds. To find taxable net income, subtract the following from your gross proceeds:

- Selling expenses (e.g., forester fees, appraisal, attorney).
- State/local severance, harvest, or yield taxes.
- Timber depletion allowance (or allowable timber basis).

Sale of Standing Timber

Usually, income from the sale of standing timber held for more than 1 year qualifies for the favorable long-term capital gains tax rate (0, 15, or 20 percent—depending on your taxable income). Inherited timber automatically meets the long-term holding period requirement.

Example 2. In 2023, you sold standing timber for \$20,000 in a lump-sum sale. The timber was purchased 5 years ago and held as an investment with a cost basis of \$6,000. You can subtract the timber basis, selling expenses (\$2,500), and the yield tax (\$1,000) from the sale proceeds to get the net income of \$10,500 (= \$20,000 - \$6,000 - \$2,500 - \$1,000). The income qualifies as a long-term capital gain.

Personal-use and investment owners use Form 8949 and Schedule D (Form 1040) to report a lump-sum timber sale. Use Form 4797 (Part I) and Schedule D (Form 1040) to report the sale if sold under a pay-as-cut contract.

Under section 631(b), income from the sale of standing timber in a trade or business (for sale or for use) and held for more than 1 year may be treated as long-term capital gains (section 1231 gain). Both lump-sum and pay-as-cut timber sales qualify. The potential tax benefits include: (1) taxation of the gain at the more favorable capital gains tax rate, as opposed to the ordinary income tax rate; (2) not subject to self-employment tax; and (3) the ability to offset your ordinary income when you have a net section 1231 loss. Use Form 4797 (Part I) and Schedule D (Form 1040) to report the sale. See page 3 for filing requirement of Form T (Timber), "Forest Activities Schedule."

Example 3. In 2023, you had a lump-sum sale of the standing timber held in your business. Because you held the timber for over 1 year before the sale, the timber income is a section 1231 gain and qualifies for long-

(Continued on second page of Tax Tips)

term capital gains tax treatment under section 631(b).

Sale of Cut or Processed Timber

You may cut (or have it cut by someone) your timber (or timber held under a contractual right to cut) and sell the processed timber or use it in your trade or business. The income would be taxed as ordinary income unless it has been held for more than 1 year and a special “election” is in effect. You may make a section 631(a) election by indicating on Part II of Form T and performing the proper tax computation under the provisions of section 631(a) and section 1231. Once you have made the election, it is not necessary to do it again in future years unless you revoke it with consent from the IRS.

Under section 631(a), your net income from the sale of cut timber or further processed timber products includes two portions:

- 1) Income from holding standing timber is treated as a long-term capital gain. It is the difference between the adjusted basis of the standing timber and its fair market value (FMV) on the first day of the tax year in which it is cut. It is treated as if you have sold the standing timber to yourself when it is cut.
- 2) Income from selling the cut timber or further processed timber products is ordinary income. Gain (loss) is determined by subtracting the FMV of the standing timber in (1), harvesting and processing costs, and selling expenses from the sale proceeds.

Example 4. You hired a logger to cut your timber (owned more than 1 year) and sell the logs to a mill you specified for \$20,000. You paid the logger \$4,000 for cutting and hauling the timber. The FMV of the standing timber on January 1, 2023, was \$15,000, and your timber depletion (see below) was \$2,000. If you made a section 631(a) election, an amount of \$13,000 (= \$15,000 - \$2,000) would be treated as a long-term capital gain, and \$1,000 (= \$20,000 - \$15,000 - \$4,000) as ordinary income.

Timber Basis and Depletion Allowance

To figure net gain or loss on a timber sale or exchange (or casualty or theft loss, or gifting), you need to determine your adjusted basis in the timber. Timber basis is generally the amount of capital investment in your timber for tax purposes. It starts from the original basis, can increase as you make capital improvements or capitalize expenditures, or decrease as you make a sale, exchange, or other disposition of the timber. The adjusted basis is the remaining costs after those adjustments. Timber basis does not include the cost of your land.

Example 5. You bought a tract of pine plantation for a total of \$33,000 (2,000 tons of pulpwood), including purchase price and other associated expenses. Assume the FMVs of the land and timber were \$10,000 and \$20,000, respectively. For original basis of each asset, you allocated the total acquisition costs proportionally among the land and the timber based on their FMVs. Therefore, the original basis for timber was \$22,000 [= \$33,000 × (\$20,000 / \$30,000)]. The basis for the land

was \$11,000.

Original basis depends on how you acquired the property. If you purchased it, the original timber basis is the amount of your total acquisition costs allocated to the timber. If you inherited it, timber basis generally is its FMV on the deceased person’s date of death. If you received it as a gift and it appreciated in value, the basis generally is the donor’s basis plus part of the gift tax paid by the donor.

“Timber depletion allowance” and “allowable timber basis” refer to deduction of a portion of timber basis from the net proceeds of a timber sale. The allowed deduction is based on the portion of the timber that was sold. It is used to recover your investment in timber when you sell or otherwise dispose of the standing timber. Timber depletion is not allowed for timber cut for your personal uses, such as firewood for your home.

Example 6. You sold 500 tons of sawtimber and 3,000 tons of pulpwood on a tract held as an investment. Your timber account contained 1,000 tons of sawtimber (\$10,000 basis) and 6,000 tons of pulpwood (\$6,000 basis) before the sale. The depletion unit was \$10/ton (\$10,000 / 1,000 tons) for the sawtimber and \$1/ton (\$6,000 / 6,000 tons) for the pulpwood. Your allowable basis for the timber sale was \$8,000 (= 500 tons × \$10/ton + 3,000 tons × \$1/ton).

Other Tax Issues Related to Timber Sales

Net investment income tax (NIIT). If you hold standing timber as an investment or a passive business activity, you may owe an additional 3.8-percent tax on the timber sale income. NIIT applies if modified adjusted gross income (MAGI) is over a stated threshold (\$200,000 for single taxpayer and \$250,000 for married couples filing jointly). Material participants in timber businesses are not subject to this tax.

Form 1099-S. After a lump-sum or a pay-as-cut standing timber sale, you would expect to receive from the buyer (e.g., logger, mill, or broker) a copy of Form 1099-S, “Proceeds from Real Estate Transactions.” Corporate and high-volume business sellers are exempt.

Form T. You need to file Form T if you do any of the following:

- Claim a timber depletion deduction.
- Sell cut products in a business [under section 631(a)].
- Sell standing timber held in a trade or business in a lump sum sale [under section 631(b)].

However, Form T is not required if you only have occasional timber sales (one or two sales every 3 or 4 years). Even if you don’t file Form T, it is a good practice to keep it for your records.

Installment sale. In some cases, it may be to your advantage to receive payments from a timber sale over 2 or more tax years. An installment sale (under a lump-sum contract) makes this possible. Income from the sale is prorated and recognized when received. You must treat part of each payment as interest and report as ordinary income. Note that irrevocable es-

(Continued from second page of Tax Tips)

crow accounts usually will preclude installment reporting.

Consider the Reforestation Tax Incentives

You may deduct, in the year incurred, up to \$10,000 of qualifying reforestation expenditures (\$5,000 for married couples filing separately) per year per qualified timber property (QTP) [section 194(b)]. You can deduct (amortize) the remaining amount over 84 months [section 194(a)]. Both owned and leased lands qualify as long as it is used for commercial timber production. Trusts are eligible for the amortization deduction only. A recapture provision applies if you sell the property within 10 years at a gain.

Reforestation expenses are direct costs incurred for reforestation by planting or natural regeneration. They include costs for site preparation, seeds or seedlings, labor, tools, depreciation on equipment used in planting, and replanting. Your personal labor cannot be included.

Make an election to deduct the reforestation expenses on Schedule 1, line 24d (Form 1040), Part II for investment. Sole proprietors use Form T and Schedule C (Form 1040), Part V or Schedule F (Form 1040), Part II, as appropriate. The election to amortize is on Form 4562. If Form T is not required, attach a statement about the date, location, and amount of the eligible reforestation expenditures to be amortized or deducted.

You are generally better off taking the election to deduct and amortize the expenses early in the timber cycle, unless you plan to sell the property within 10 years. If you make the election, you need to maintain a separate account for each QTP and cannot combine them with other timber accounts until the timber is disposed of. The QTP account should have zero balance immediately after the expensing and amortization are completed.

Deduct Operating Expenses and Carrying Charges

If you materially participate in your forestry business, you generally can deduct ordinary and necessary expenses in full. Use Schedule C (Form 1040) or Schedule F (Form 1040), as appropriate. Such “operating expenses” may include those paid for insect control, disease prevention, prescribed burning, fire-break maintenance, overnight travel, precommercial thinning, vegetation-competition control, depreciation of equipment, and fees paid for a forester, attorney, or accountant.

Under section 212, investors can deduct the ordinary and necessary expenses associated with management, maintenance, and conservation of the forest property. However, the 2017 Tax Cuts and Jobs Act (TCJA) has suspended “miscellaneous itemized deductions” for individual taxpayers through 2025. This is the category of deductions that investors would use to recover operating expenses. You still may fully deduct State and local property taxes on your forest property if you itemize deductions (not subject to the \$10,000 State and local tax deduction limit). However, many individuals who formerly itemized may now find it more beneficial to take the standard deduction. Under section 266, you may elect (on a year-by-year basis) to add carrying charges (e.g., property taxes and interest expenses) to the corresponding property basis (capitalize) in tax years when no income is produced from the property. This will result in a smaller capital gain and lower taxes when you sell timber later. You may also elect to capitalize necessary development-related expenses (e.g., costs for silvicultural practices, timber stand improvement). Once you make the

election to capitalize development costs, you must continue capitalizing these types of costs until the property is disposed of.

Under the current law, you are generally not allowed to deduct the operating expenses if your forestland is held for personal use or as a hobby.

Recover Other Major Capital Costs

Depreciation is a deduction for the cost (or basis) of long-lasting equipment or property (e.g., logging equipment, tractor). It is available to investors or business owners. Land is not depreciable. You can recover your costs in land only when you dispose of the land. However, you can depreciate land improvements such as bridges, culverts, fences, temporary roads, and surfaces of permanent roads.

Investors or businesses must take bonus depreciation for qualifying property unless they elect out of the provision for the entire property class. Bonus depreciation allows taxpayers to deduct 80 percent of the acquisition cost if placed in service during 2023. The amount of allowable bonus depreciation will be phased down for property placed in service in the years 2023–2026, with no bonus depreciation allowed for property placed in service starting in 2027.

Business taxpayers may immediately deduct up to \$1,160,000 for qualifying property in 2023, subject to phaseout and other limitations (section 179). Your section 179 deduction is limited to your business income for the year. You may also elect to apply the de minimis safe harbor to expense amounts paid for qualifying tangible properties costing less than \$2,500 per invoice or item rather than taking regular depreciation or the section 179 deduction.

Deduct Casualty and Theft Losses

Timber loss may be tax deductible if it is caused by a sudden, unusual, and unexpected (casualty) event such as hurricane, fire, earthquake, tornado, hail, flood, or ice storm.

For investment and business owners, the deductible casualty loss is the lesser of the decrease in FMV due to the casualty or your basis in the timber block (the unit you use to keep track of the timber basis). If the adjusted basis is zero, you would not be able to deduct any casualty loss, regardless of your actual loss. For investors, use Section B of Form 4684 and Schedule A (Form 1040) to claim it under other itemized deductions (line 16). For timber in a trade or business, report it in Section B of Form 4684, then enter the loss on Form 4797.

Casualty loss deduction and salvage sales may be handled separately. You can claim a casualty loss deduction before the salvage sale. You may postpone taxes on the gain on salvage sales by claiming an involuntary conversion and electing to purchase qualifying replacement property.

Example 7. Your 200-acre forestland (\$6,000 in timber basis) is held as investment. In 2023, the timber was damaged by a wildfire. A qualified professional assessed that the FMV of the timber block dropped from \$20,000 to \$2,000 due to the disaster, an \$18,000 decrease. The amount of your casualty loss deduction is limited to the lesser of the basis and the FMV decrease, or \$6,000.

(Continued on fourth page of Tax Tips)

(Continued from third page of Tax Tips)

The casualty loss deduction for timber held for personal use (including landscape trees) has been suspended through 2026, except for losses in federally declared disaster areas. The deductible personal casualty loss attributable to a federally declared disaster is subject to the \$100 per casualty and 10% of your adjusted gross income (AGI) reductions. If the loss is attributable to a qualified disaster loss, the deductible loss is not subject to the 10% AGI reduction and the \$100 reduction is increased to \$500. Use Section A of Form 4684 and Schedule A (Form 1040) to claim the loss as casualty and theft loss (line 15).

A theft loss deduction is made in the year you discover it and is limited to the lesser of the decrease in fair market value or your basis in the stolen timber.

Consider Excluding Qualified Cost-sharing Payments

In general, payments received from government programs are taxable ordinary income. However, all or part of some conservation-oriented cost-sharing payments may qualify for income exclusion (section 126). To be eligible for the exclusion, the cost-sharing payment should be from a qualified program and be used for capital expenditure.

Currently, qualified programs for the income exclusion include but are not limited to:

- Forest Health Protection Program (FHPP).
- Conservation Reserve Program (CRP) (Annual rental payment and incentive payments do not qualify).
- Environmental Quality Incentives Program (EQIP).
- Certain preapproved State-administered programs.

Contact the program administrator to determine if the payments are qualified for income exclusion. If you choose to exclude the payment from your income, you cannot deduct or add the related expenses to your basis. If you receive qualifying cost-sharing payment for reforestation, you could either 1) include the payment in your income and elect to expense and amortize the reforestation costs, or 2) exclude from your income the cost-sharing payment up to the excludable amount and deduct the unreimbursed reforestation costs. If the payment is excluded, a recapture provision applies if the affected timber is sold within 20 years.

Consider Conservation Easement Donation

A conservation easement is a voluntary legal agreement between a landowner and a government agency or land trust that restricts the type and amount of development or uses on the property for conservation purposes. Working forest conservation easements generally allow some form of timber harvesting. Under section 170(h), if you donate a qualified conservation easement to a qualified organization for qualified conservation purposes, you are eligible for a Federal charitable income tax deduction. You could use the charitable easement deduction to offset up to 50 percent (100 percent for some qualified forest landowners) of your AGI and could carry over any unused deductions for an additional 15 years.

Defer Taxes With Like-kind Exchanges

Like-kind exchanges apply only to real property held for pro-

ductive use in a trade or business or for investment. Exchanges of personal property no longer qualify for the tax deferral. Like-kind refers to the nature or character of the property, rather than its grade or quality. Standing timber and timberland are like-kind real property. Under the recently issued final regulations, timber cutting rights are real property if they are considered so under State or local law. However, not every exchange of real property interests meets the section 1031 like-kind requirement. Speak with your tax advisor about the applicability of a 1031 exchange before making a transaction.

Qualified Business Income (QBI) Deduction

For tax years 2018 through 2025, noncorporate taxpayers can take the QBI deduction under section 199A for certain income earned through sole proprietorship or other pass-through entities, subject to limitations. However, net section 1231 gains (most timber sales, including Christmas trees) are treated as capital gains and are excluded from QBI for deduction purposes.

QBI includes the ordinary income from selling cut timber products, pine straw, living trees, and products gathered or collected (e.g., wildflowers, vines, edible or medicinal plants or fungi, or botanical samples).

Use Form 8995 (or Form 8995-A if applicable) to figure the amount of the deduction and report it on Form 1040.

Other Forest-related Tax Considerations

Flow-through Entities

Forestland ownership can be structured through various entities, such as Subchapter C corporations, Subchapter S corporations, partnerships, and limited liability companies (LLCs). S Corporations and partnerships are considered “flow-through” entities because they are not taxed independently, but rather net income and other relevant tax information is passed through to the owners, who individually are taxed. Multi-member LLCs are generally considered partnerships for tax purposes, unless they elect to be treated as a corporation. Partnerships annually must file form 1065, as well as Schedule K reporting each owner’s share of net ordinary income (or loss) and separately-stated information. Each owner in turn will receive a Schedule K-1 from the partnership. Similarly, S corporations file Form 1120-S, Schedule K, and send Schedules K-1 to owners.

Forest Carbon

Income received from transactions related to forest carbon generally is taxable. This topic is not directly addressed in any existing statute or regulation, so there is uncertainty about the details. Tax treatment of the income and its associated expenses may vary based on factors such as the terms of the carbon programs, contract clauses and length, the purpose of forest holdings, holding period of carbon credits/offsets, and payment scheme.

Dr. Yanshu Li is an Associate Professor of Forest Economics and Taxation at the University of Georgia.

Dr. Tamara L. Cushing is an Extension Assistant Professor of Forest Economics and Business at the University of Florida.

Dr. Gregory E. Frey is a Research Forester at the U.S. Department of Agriculture (USDA), Forest Service, Southern Research Station.

(CALENDAR OF EVENTS CONTINUED FROM PAGE 1)

Office, 112 Fairground Circle. Speaker: Brady Self. For more information or to attend, RSVP to (662) 534-1917.

January 24-25...Bushnell, Florida. **Wildlife & Invasive Species Education** at Sumter County Extension, 7620 SR 471, Suite 2. Workshop and field tours on a variety of topics. For more information contact the Sumter County Florida Extension at (352) 569-6862.

January 25...Perkinston, Mississippi 6 PM. **Chronic Wasting Disease** at The Camellia, 27360 Highway 603. Speaker: Caleb Hinton of the Mississippi Department of Wildlife, Fisheries, & Parks. Register by January 22. For more information or to RSVP, call (228) 731-8567.

January 26...Madison County, Florida. **Landowner Tour** at Terry Putnal's property. Terry is the Outstanding Tree Farmer of the Year. Join other landowners and professionals to explore a diversified timber and pine straw operation. Some walking required, so wear appropriate clothing. Space is limited. Fee: \$15; lunch included. For more information contact [Chris Demers](#) at (352) 846-2375.

January 27...Marshall County 12 Noon - 4 PM. **Year of Alabama Birding Photography Workshop** at Lake Guntersville State Park. Join Beth Cowan Drake from Alabama the Beautiful for a photography workshop designed to teach the field techniques of bird photography. Pre-registration is required by January 25. Fee: \$35. For more information contact [Indya Guthrie](#) at (256) 571-5445.

January 28-30...Baldwin County. **The State of Alabama's Governance** will be held at the Grand Hotel, 1 Grand Boulevard, Point Clear. The seminar focuses on the state of the state and specifically addresses issues of importance to the state that will be topics during the upcoming legislative session. Fee: \$350. Contact [Tom Saunders](#) at (334) 481-2135.

FEBRUARY 2024

February 2...Tuscaloosa County 8 AM - 5 PM.

Alabama Critical Minerals Symposium at the Birmingham Room, Bryant Conference Center, University of Alabama, 240 Paul Bryant Drive, Tuscaloosa. Topics will include critical minerals in coal and coal-related sediments in northern Alabama, graphite and Rare Earth Element-bearing regolith in the Piedmont region, and critical minerals in lignites of the Coastal Plain region; but will also touch on regional, national, and global topics, including recent and planned geophysical surveys of Alabama, challenges to critical minerals production, and critical minerals application to energy transition. Fee: \$75; light breakfast and lunch included. Web address: <https://tinyurl.com/minerals2024> For more information contact [Dane VanDervoort](#) at (205) 247-3626.

February 5-9...Jackson County 9 AM - 4:30 PM. **Learn & Burn: Live Fire Event** in Skyline. Actively participate with ignition patterns, holding techniques, and mop up. The prescribed burn will be conducted on the first available burn window between February 5-9. Depending on weather conditions, selected participants will be given 2 days advanced notice before the program is held. Exact location will be given to registered attendees. Register early as space is usually limited. Lunch provided. For more information contact [Autumn Watrous](#) at (205) 516-1782.

February 5-9...Online. **Forest Health Webinar Series** will be presented via Zoom Webinar. Course content will center on forest health issues such as insects, pathogens, weeds, and invasive species. Management solutions including prevention, pesticides, biological control, etc. will be discussed. No fee. The course is daily from 12 Noon - 1 PM ET. For more information contact [James Johnson](#) at (706) 308-6396.

February 6...Tuscaloosa County 10 AM. **State Oil and Gas Board of Alabama Meeting** in the Board Room of Walter B. Jones Hall, 420 Hackberry Lane, Tuscaloosa. Learn more about the out of sight, out of mind natural resources of Alabama. This regularly scheduled meeting is open to the public. For more information call (205) 349-2852.

February 10-11...Jackson County. **Trappers Education Workshop** at the Jackson County Wildlife Management Area, 234 County Road 141, Hollywood. Pre-registration is required. Fee: \$10. For more information contact [Mike Sievering](#) at (205) 340-1183.

February 12-16...Marion County 8:30 AM - 3:30 PM. **Learn to Burn** attendees will experience a day-long "start to finish" learning opportunity. The prescribed burn will be conducted on the first available burn window between February 12-16. Lunch provided. For more information contact [Kerry Steedley](#) at (334) 350-0485.

February 14...NATIONWIDE 10:00 AM Central Time. **CAPITAL IDEAS - LIVE!** 15-minute Web Supported Telephone News Conference for Alabama Forest Owners. Listen live or on the web later.

February 15...Shelby County 6 - 8 PM. **Dinner and Discussion** at TBD. No-host dinner at 6 PM followed by short program. To attend, RSVP AFOA at (205) 624-2225.

February 17...DeKalb County 8 AM. **Traditional Hunter Education Course** at 1904 Williams Avenue, Fort Payne. No fee. This is a one day class with lunch provided on-site. To register, email scott.kellenberger@dcnr.alabama.gov. Successfully completing an approved hunter education course is mandatory for all non-supervised Alabama hunting license buyers born on or after August 1, 1977. There are some exceptions. For additional information contact [Marisa Futral](#) at 1-800-245-2740.

February 17-18...Baldwin County. **Trappers Education Workshop** at the District V Wildlife Office, 30571 Five Rivers Boulevard, Spanish Fort. Fee: \$10. For more information contact [Mike Sievering](#) at (205) 340-1183.

February 19...Russell County 9 AM - 3 PM. **Wildlife Trapping Essentials Workshop** at the Old Seale Courthouse. This program will cover ins and outs of trapping techniques to remove nuisance wildlife and predators to help you protect and enhance timber and wildlife resources. After the indoor presentations, the program will proceed outdoors for a hands-on training by professionals. Fee: \$15; lunch included. For more information contact [Drew Metzler](#) at (334) 313-0478.

February 19-23...Tallapoosa County 8:30 AM - 4 PM. **Learn to Burn** at Wind Creek State Park. The prescribed burn will be conducted on the first available burn window between February 19-23. For more information contact [Drew Metzler](#) at (334) 313-0478.

February 21-23...Athens, Georgia. **Southeastern Society of American Foresters Annual Meeting** at The Classic Center. Fee: \$575 non-member. For more information contact [Susan McMichael](#) at (706) 457-1842 or.

February 24-25...Pike County. **Trappers Education Workshop** at Coastal Plain Land & Timber, Troy. Fee: \$10. For more information contact [Mike Sievering](#) at (205) 340-1183.

February 26 - March 1...Barbour County 8 AM. **Learn to Burn** attendees will experience a day-long "start to finish" learning opportunity. The prescribed burn will be conducted on the first available burn window between February 26 - March 1. For more information contact [Bence Carter](#) at (334) 389-4055.

February 29...Tuscaloosa County 6 - 8 PM. **Alabama Forestry Association Tuscaloosa Area Regional Reception** at The Cypress Pavilion. Contact [Liz Chambers](#) at (334) 481-2135.

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More Events can be found on AFOA's website at www.AFOA.org/cal/cal.htm


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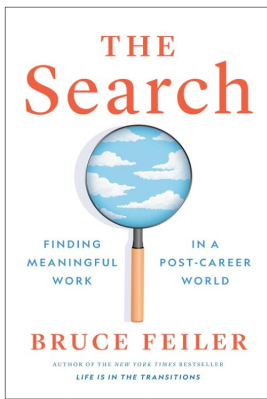
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THINGS TO DO WITH THE KIDS IN 2024. While the *Backyard Science & Discovery Workbook—Midwest* by Brett Ortler was not written for would-be southern scientists, we suspect

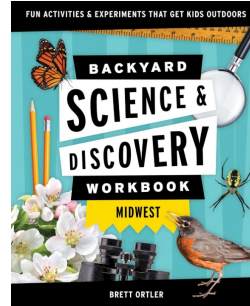
MARK YOU CALENDAR: The Southern Christmas Tree Association will hold their 2024 Annual Meeting at Lake Guntersville State Park, September 13-15.

TWO ADDITIONAL CASES of Chronic Wasting Disease (CWD) in deer have been confirmed in northern Lauderdale County. CWD was first detected in Alabama's deer herd in Lauderdale County in 2022. The total number of confirmed CWD cases in Alabama is five.


THE SEARCH: Finding Meaningful Work in a Post-Career World by Bruce Feiler was featured in Lance Woodbury's column in *The Progressive Farmer*, December 2023. Lance focused on the concerns of farmers who are facing the task of giving the farm to the next generation and then finding



something meaningful to do with their newfound time. We suspect that most forest owners will someday be retiring from a law office, or a welding shop, or a dental practice, or ... A forest owner might start by creating better files on each tract of land. Gather up deeds, maps, contact information for all the neighbors, update to-do lists (repaint the east line of the north forty, grade the roads, discuss selling some timber with your consulting forester, etc., find a hunter to lease the Wilcox tract...). \$18.46 hardcover at Amazon.com.



you will find lots of good ideas in Ortler's book — “such as raising native caterpillars, making mushroom spore prints, and attracting moths with an ultraviolet light.” \$9.69 paperback on Amazon.com.



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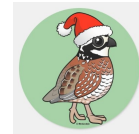


AMERICAN FOREST MANAGEMENT
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ALL THE THINGS WE BUY AT THE GROCERY STORE OR THE HARDWARE STORE: “You either grow things or you mine things; that’s where everything comes from.” Bob Carr, professional geologist and AFOA board member, pointed that out recently at an AFOA board meeting. With that in mind, you may want to learn more about all the interesting things that you might find beneath your trees. The **Alabama Critical Minerals Symposium** (see page 7, February 2, Tuscaloosa) promises to be a day filled with interesting information about critical minerals, rare earth elements, and more. The event will be hosted by the University of Alabama’s Department of Geological Sciences and the Geological Survey of Alabama.

“BEGINNING JAN. 1, millions of small businesses — LLCs, corporations, and limited partnerships — must file the names of beneficial owners and tax ID numbers with the Financial Crimes Enforcement Network. The goal is to expose shell companies used for money laundering and other financial crimes.” “Sole proprietorships are exempt unless they are organized as an LLC or a corporation. General partnerships are exempt, but limited partnerships are not.” Source: *Successful Agriculture*, December 2023.

GAME BIRDS. Just in case you want to release some game birds on your land, Alabama Quail Hunters sent the following list to their members last month:



- Tuck Farms, Joseph Tuck, Snead, 205-960-5644
- Bailey Farms, Sabrina Stanga and Steve Bailey, Springville, 205-382-4858
- On Point Hunting Club & Game Birds, Dylon Overdear Speake, 256-909-0075
- A.D.A.M.S. Quail LLC, Adam Slaten Eva, 256-347-6118
- Zach Long, Danville, 256-221-8930

The Wildlife Group

2858 County Road 53
Tuskegee, Alabama 36083
1-800-221-9703

Sawtooth Oak	Japanese Persimmon
Gobbler Sawtooth	Thornless Blackberries
Burr Oak	Methley Plum
Chinese Chestnut	Chickasaw Plum
Dwarf Chinquapin Oak	Black Berries
Callaway Crab Apple	Tree Protectors
Yates Apple	Persimmon

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