



FORESTLAND STEWARDSHIP

WORKING TOGETHER FOR HEALTHY FORESTS

WINTER 1999

Funding assists landowners in fire recovery

Each year, a number of forest-related projects receive state and federal funds through Stewardship grants of various kinds. These monies are limited, so funding decisions are made based on priority and need.

One high priority category is the restoration of burned properties. This year several landowners received grants through the Stewardship Incentive Program to assist their replanting efforts where the Fountain Fire burned in Shasta County.

The Fountain Fire (so named because it was first thought to originate near a small roadside fountain) occurred under the worst of conditions. The blaze started on August 20, 1992 after six years of drought and a month of high temperatures. The winds were gusting and local firefighters were busy fighting fires in other parts of the state.

By the end of the week, on August 28, the fire had completely decimated 64,000 acres of mostly private prime forestland.

Fire recovery is expensive. Eighteen months of work followed the fire to salvage the dead timber at about half its pre-fire value. Erosion control measures



After an intense fire, brush will come in quickly, outcompeting the slower-growing trees. The property on the left has been treated to encourage new seedlings to become established while the property at the right is now overgrown with brush.

were taken at the same time to protect streams consumed by the fire.

Steps to regrow the trees also had to begin right away. Tree climbers harvested seeds from those few trees that survived. Those seeds, along with others that had been collected prior to the fire, were sent to nurseries to grow locally-adapted seedlings for replanting over the next several years.

The difficulty with forest recovery is that fast-growing shrub species come in right after a fire, outcompeting and effectively excluding the slower growing, more desirable, trees. If nature is left to follow its own course, this highly flammable brush will dominate the environment for decades before the original mixed conifer forest returns.

(continued next page)

California Dept. of Forestry & Fire Protection
Forest Stewardship Program
P.O. Box 944246
Sacramento, CA 94244-2460

Bulk Rate
U.S. Postage
PAID
Sacramento, CA
Permit No. 424

ADDRESS SERVICE REQUESTED

Cost-share

Recovery (cont. from page 1)

Instead, many landowners have chosen to hurry nature along, some with the help of Stewardship grants. They have planted trees and used forestry techniques to keep the brush down until the trees become well established.

Various techniques can be used to help trees outcompete the brush. A common approach is with the use of herbicides. Selective herbicides kill broadleaf plants but spare conifers, giving trees the advantage. Where brush has already excluded most trees, a broad spectrum herbicide can be used to kill all vegetation, then the property replanted with trees.

Some landowners have chosen



Now, after five years, the trees are big enough to take off on their own.

instead to use physical means like brush raking to control the brush. The techniques chosen depend on the property owner's goals and wishes.

Now, six years after the Fountain Fire, millions of trees have been planted. Using reforestation techniques and some funding support, the area is well on its way to becoming a forest again.

Cost-share programs for forestland

Funding programs are constantly changing. The Stewardship Incentive Program (SIP) was not funded this year, however various other funding sources are still available. Here are just a few that can benefit forestland owners. Call for details.

CalFed—grants for ecosystem restoration include watershed planning, fish screens, habitat restoration. Bay-Delta watersheds only. (916) 657-2666.

California Riparian Habitat Conservation Program—funds restoration projects to protect, preserve, and restore valuable riparian habitat resources. Calif Dept of Fish & Game, (916) 445-1072.

Deer Herd Management Plan Implementation Program—

Restoration and/or improvement of deer habitat. Calif. Dept. of Fish & Game. (916) 653-4673.

EQIP—Over \$6 million available for projects in priority areas recommended by local working groups. Administered by the Natural Resource Conservation Service (NRCS). 530-757-8200.

Fisheries Restoration Grant Program—to improve or restore salmonid populations through fishery habitat improvement, fish-rearing programs, and public education. Calif. Dept of Fish & Game (916)653-2459.

Forestry Incentives Program (FIP)—cost share assistance for tree planting and timber stand improvement. Administered by NRCS. 530-757-8200.

Sustainable Development Challenge Grants—Encourages environmentally and economically sustainable development. U.S. EPA. (415) 744-2089.

Vegetation Management Program—CDF will cover the liability, plan for, and conduct a prescribed burn on private land. Landowner pays 10% or more estimated cost. (916) 653-2380.

New directory available

The 1998 edition of the cost-share directory produced by UC Cooperative Extension is now available. This excellent resource provides information on assistance grants that can assist forestland owners. Each listing gives background on eligibility, limitations & requirements, and a short description of successful projects.

Cost-Share and Assistance Programs for Individual California Landowners and Indian Tribes is available by e-mail (ncsaf@mcn.org) or from the internet (<http://ceres.ca.gov/foreststeward/funding.html>). You can also get a free copy of the booklet or a diskette in Word 97 by calling the Forest Stewardship Helpline, 1-800-738-TREE.

FORESTLAND STEWARD

Forestland Steward is a publication of the California Forest Stewardship Program
P.O. Box 944246
Sacramento, CA 94244-2460
(916) 653-8286
Fax (916) 653-8957
<http://ceres.ca.gov/foreststeward>

Governor
Pete Wilson

Secretary of Resources
The Resources Agency
Douglas P. Wheeler

Director
Calif Dept of Forestry & Fire Protection
Richard A. Wilson

Editorial Committee
Laurie Litman, InfoWright
Claralynn Nunamaker
Richard Harris
Jim Geiger




Printed on recycled
paper with soy ink



Forest Practices

Tree harvest in cases of emergency

Any time you harvest timber for sale, barter or trade, a Timber Harvest Plan (THP) is required. However, the California Forest Practice Rules do have special provisions for certain types of emergencies and exemptions to the THP requirement.

An emergency is defined by the following conditions:

- 1) Trees that are dead or dying as a result of insects, disease, parasites, or animal damage.
- 2) Trees that are fallen, damaged, dead or dying as a result of wind, snow, freezing weather, fire, flood, landslide or earthquake.
- 3) Trees that are dead or dying as a result of air or water pollution.
- 4) Cutting or removing trees required for emergency construction or repair of roads.
- 5) Financial emergency (see Forest Practice Rules for complete definition)

Even in a case of emergency, certain legal procedures must be followed. An RPF (Registered Professional Forester) must submit a Notice of Emergency Timber Operations to the California Dept of Forestry & Fire Protection (CDF). In addition to basic information about the timber operations, this notice includes a declaration, under penalty of perjury, that a bona fide emergency exists and there is an immediate need for cutting. Emergency Notices covering three or more acres also require a Confidential Archaeological Letter.

CDF is required to respond within 5 days of receipt of the Emergency Notice. All timber operations must comply with the rules and regulations of a timber harvest plan. Harvesting can only continue over a period of 120 days.

California Forest Practice Rules and Z'berg-Nejedly Act

Need to check the rules and regulations for a forest-related activity? Now you can have your own unabridged copy of the official Forest Practice Rules and Act along with extras such as forms for a timber harvest plan and various exemptions, the 199-page document "Estate Planning for Forest Landowners," and all the background needed to write an excellent Stewardship Plan. It's all on the *Working in the Woods* CD! Call the Forest Stewardship Helpline at 1-800-738-TREE. It's FREE!

Certification of wood offered through several organizations

Forest certification is a relatively new approach to assure consumers that the wood products they buy come from ecologically well-managed forests. For forest landowners it is a way to get recognition for good management practices, hopefully leading to financial benefits as well.

Besides forest certification, some programs also offer chain-of-custody certification which assures that the certified wood is followed each step of the way to market. In some programs, resource managers can become certified, potentially a more cost effective way for small landowners to sell certified wood.

Currently, certification is offered by a number of organizations. What makes things confusing is that programs may vary in their certification criteria and how those criteria are defined.

It is important to do some homework before putting down your money. Learn how the various certification systems differ and pick the one that best fits your needs. Ask: how much will this cost initially/

annually?

- ◆ what are the benefits?
- ◆ what is the philosophy of the certifying organization?
- ◆ what certification criteria are used?
- ◆ how are management practices evaluated?
- ◆ who does the evaluation?
- ◆ how long does certification last?
- ◆ what other types of support can you expect (e.g. marketing)?

Contact these programs for more details:

American Tree Farms
<http://www.treefarmssystem.org/tfinaction/index.html>
 (916) 488-8322

Green Tag Forestry
 1-888-50-FOREST

Scientific Certification Systems (SCS)
<http://www.scs1.com/>
 (510) 832-1415

SmartWood
<http://www.smartwood.org/>
 (707) 459-5499

[NOTE: these programs use different criteria from those used to certify Forest Stewardship Plans.]



Seasonal Stewardship

Prune correctly for healthy trees

Winds will blow, snow will fall, and trees will be damaged this winter. Removing the jagged remains of broken limbs and tops is often necessary after a storm. Good pruning techniques can help encourage wound closure and avoid further damage to trees.

Why prune?

In addition to storm repair, there are a number of other important reasons to prune forestland trees. Dead, diseased, and insect-infested branches should be cut. Pruning lower branches can help in reducing fire hazard. Pruning can also increase the quality of timber by eliminating knots where branches are removed.

Should you prune?

If a branch is a safety hazard, the decision to prune is easy—yes and as soon as possible. Beyond that, the decision is more difficult. What do you hope to accomplish by pruning? Fire safety is one reason that landowners prune. Reducing the fuel ladders from the ground to the crown of trees near buildings and roads is activity that you should seriously consider.

If you are interested in increasing the future value of your property, the decision to prune becomes much more complicated. You need to balance the time—and cost—needed to prune trees

with the potential increase in the value of clear wood sold to a mill. You also have to be concerned with the potential reduction in growth caused by removing live branches.

Biology of pruning

A basic understanding of tree biology will improve your pruning savvy.

Every branch has a raised “collar” where the branch and stem come together. The **branch bark ridge** is found on the upper surface and the **branch collar** grows from the stem tissue at the underside of the branch (*see figure below*). The branch collar contains a protective chemical zone that inhibits the spread of decay. **A proper pruning cut avoids injury to either the branch bark ridge or branch collar.** If the cut is limited to branch tissue, the wound will seal better and there is less likelihood of decay.

Pruning technique

Limbs should be cut to where they join the next largest branch or trunk. To find the correct place to cut, first find the branch collar and branch bark ridge. Make all cuts just to the outside of the raised area at the branch intersection. Begin the cut outside the branch bark ridge and angle it down away from the stem. Make the cut as close as possible to the stem but outside the branch bark ridge so that the wound can seal in the shortest time possible.

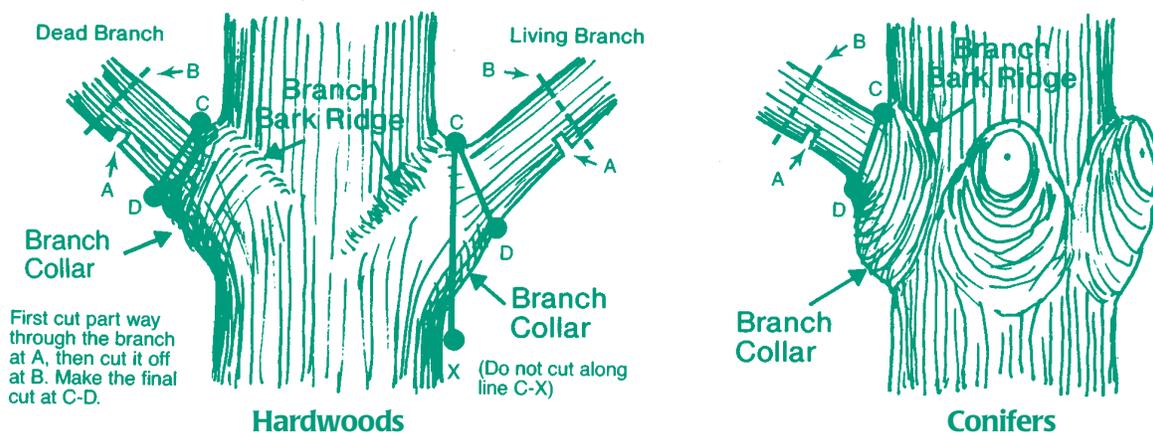
Do not cut flush against a limb or trunk. Cutting flush will damage the branch collar and increase the chance of serious problems such as cankers, rots, cracks, and insect infestations. If the cut is too far out and leaves a branch stub, the branch tissue will usually die, delaying wound closure as woundwood must first seal over the stub.

Dead branches are easier to prune correctly because the branch collar and branch bark ridge continue to grow and are readily discernible from the branch. Make the pruning cut just outside the woundwood tissue that has formed. Use the three-step method shown below to avoid bark ripping.

Wound dressings and paints are unnecessary and may actually encourage disease-causing microorganisms.

Timing

When to prune depends on the tree species and purpose. While dead branches can be removed at any time, pruning live branches is best done during the dormant season—typically November through February. Pruning during this period minimizes sap and resin flow in conifers, which in turn reduces the potential for bark beetle attack. Some landscape plants are best pruned at other times, but this largely depends on species. Check with your county Cooperative Extension office or a good nursery.

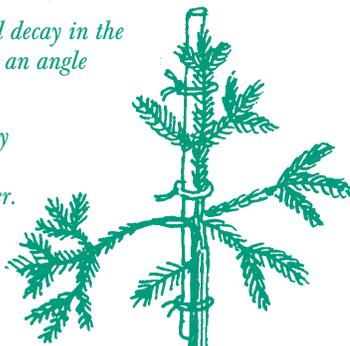


Storm repair tips

Broken tops

It is important to remove a broken top correctly to avoid decay in the trunk stub. Avoid a flat cut—the leader should be cut at an angle to the branch bark ridge.

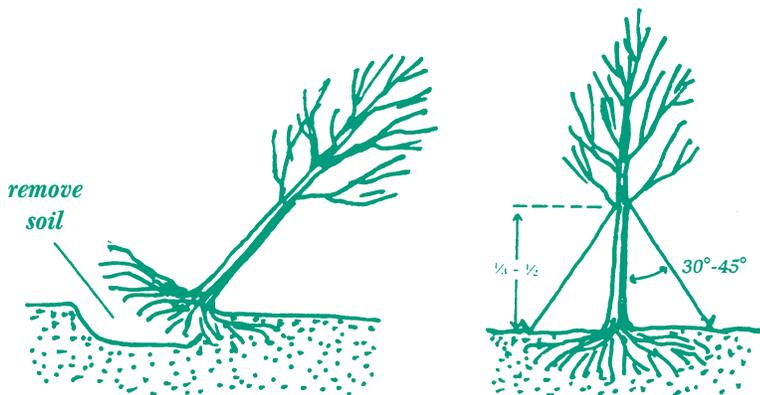
Occasionally the top of a young conifer will be broken by falling trees or limbs. You can restore form to a tree by helping a branch in the top whorl become the new leader. Select the best, perhaps longest, branch and carefully bend it upward. Tie it to a pole that is securely fastened to the trunk. Check every few months to make sure the ties are not cutting into the new leader. Remove the pole in 2–3 years.



Repairing torn bark

Torn or stripped bark is the result of limbs being violently broken from the tree by wind or branches falling from above. To improve appearance and eliminate hiding places for insects, carefully use a chisel or sharp knife to smooth ragged edges of dead or dying bark. Remove the bark back to the point at which it is attached to the tree. Try not to expose any more cambium (inner bark). Shaping the tear into an ellipse has more aesthetic value than effect

on wound closure, and if you do use this traditional method, round the ends to prevent dieback of the cambium. Keep the wound as narrow as you can to hasten wound closing.



Partially uprooted trees

Young or small trees (under 25 feet in height) that are partially blown over can often be saved. First, remove soil on the uprooted side so the root mass can fit into the hole. Straighten the tree with power equipment, winch or “come-along,” being careful not to break additional roots, and be sure to protect the bark where the rope or cable is attached. With the tree upright, replace soil. Anchor in place using 2–3 guy lines attached to a point 1/3 to 1/2 the height of the tree. Tamp and water well to remove air spaces around the replaced roots.

—from *Tree City USA Bulletin*

Use the proper tools for the job

As is true with so many tasks, using the correct pruning tool will not only give you better results, but will also make the job easier and safer.

When pruning, the correct tool depends largely on the size of the branch to be pruned. Whenever possible, prune when branches are small since smaller branches are easier to cut and the wounds seal more quickly.

Hand pruners are used for the smallest branches (less than 1" diameter); the scissor-action types are best. Small pruning saws or lopping shears can be used for slightly larger branches (up to 3"). Larger branches require a pruning saw. Pole pruners can be used to cut branches beyond reach. Use ladders, ropes or pulleys if climbing is necessary.

For branches larger than 4", chain saws are preferred but should be used only by qualified persons and with extreme caution (another reason to prune when branches are small).

Keep all pruning tools sharp and in good working condition. Use a sharpening stone for hand pruners, lopping shears and pole pruners. Pruning saws should be professionally sharpened; some have replaceable blades.

Tools should be kept clean and sanitized to prevent the spread of disease from infected to healthy trees. Pathogens such as fungi, bacteria and viruses can easily enter a tree from a fresh wound. Pruning during the dormant season minimizes the danger of infection.

Sanitize pruning tools with either 70% denatured alcohol or with liquid household bleach diluted 1 to 9 with water. Immerse tools in the solution for 1–2 minutes and wipe wood particles from all cutting surfaces. Clean tools with soap and water after use. Vegetable oil will remove tree sap quite effectively from tools and skin. A light coating of lubricating oil will prevent tools from rusting.



Landowner Curriculum

A primer on income taxes for forestland owners

John LeBlanc

"...in this world, nothing is certain but death and taxes."

—Benjamin Franklin, 1789

Benjamin Franklin wrote this over 200 years ago and, like many of his observations, it still holds true in many ways. This article describes some considerations when planning income-generating activities on your forest. Because of some unique properties of generating income from resources, the situation is more complex than most other investments. When we describe estate planning, "death and taxes" combine in a manner that Franklin might never have imagined.

Timber Taxation

Taxation of income derived from forestry investments is a complex topic at both the federal and state levels. Tax laws, regulations, and guidelines are many, detailed, and technical. Tax legislation is subject to frequent change and interpretation. This discussion is intended only as an introduction to a number of taxation concepts related to forestland in the state of California. *Remember, each individual situation is unique and you should seek a professional tax consultant, familiar with timber taxation, for specific advise.*

General Rules

Assuming that you want to pay the least amount of taxes you legally can and are willing to spend some time learning about tax law, doing bookkeeping, and possibly hiring a qualified accountant to help you, the following suggestions hold for most people.

Treat your property like a business.

Remember, each individual situation is unique; seek a professional tax consultant, familiar with timber taxation, for specific advise.

- ◆ Spread income over tax years if possible.
- ◆ The costs of owning land should be expensed (deducted in the year they occur), depreciated if they cannot be expensed, and added to the basis (capitalized) when they can be neither expensed nor depreciated.
- ◆ Learn more about timber taxation.
- ◆ Keep excellent and detailed records
- ◆ Keep your records well organized
- ◆ Hire a tax professional knowledgeable about resource based taxation.
- ◆ Plan for the future, especially your estate.

Capital Gains

Capital gains is the difference between the selling price of a capital asset and its cost, or basis. A capital asset is property held by the taxpayer.

A major difference between a capital gain and ordinary income is the manner in which costs are recovered for tax purposes. With ordinary income, costs are expensed, deducted from income in the year the cost is incurred. Capital expenditures are considered an exchange of

one capital asset (cash) for another (property). Thus, no outflow of assets occurs.

Capital expenditures are recovered when the capital asset is sold and expenditures are deducted from the capital gains. It is generally best to write off costs as short-term expenses, deductible from ordinary income whenever possible.

The advantage to capital gains treatment is that mid-term and long-term capital gains income are taxed at lower rates than ordinary income. Capital gains income is not taxable for Social Security purposes as is ordinary income.

Loss

Another difference between capital gains and ordinary income is the treatment of losses. Capital loss occurs when the cost is higher than the selling price. A capital loss is first deducted from capital gains from other transactions. Any remaining loss is deducted from other income, but not more than \$3,000 in any tax year.

Timber for capital gains purposes includes standing trees used for sawlogs, firewood, pulp, veneer, posts, pilings, poles, crossties, and other wood products. It also includes Christmas trees from seed older than six years. Timber does not include logs already cut, tops, limbs, stumps, chips, seedlings grown for transplanting, or evergreens in a live state used for ornamental purposes.

The timber must be held for a period of 18 months or longer (measured by the difference between the date of acquisition and the date of disposal) to be eligible for long-term capital gains treatment.

For landowners who purchase their property as an investment, infrequent lump sum sales of timber made to assist financing are allowed capital gains treat-



ment. In a lump sum sale, payment is made for the standing timber as a whole unit and not dependent on the amount actually cut. Payment is usually made before the timber is cut. These sales must be discontinuous and isolated. If the taxpayer makes a substantial effort to promote the sale, capital gains treatment might be denied. This type of sale is generally for owners not managing their property for timber.

Section 631b of the Internal Revenue Code (IRC) is of special interest to forest landowners who manage their land; it affords capital gains treatment to the taxpayer who retains an economic interest in the timber. The seller must retain legal title to the timber until it is cut. When selling timber on the stump, your contract must state that you retain title to the timber until it is scaled and that you are paid on a per unit basis. A well-written contract is essential to demonstrate a retained economic interest in the timber.

Depletion Allowance

As timber is cut, the original capital investment, the basis of the timber, is reduced or depleted. Because the trees are rarely all cut at the same time, the original cost must be modified to give the adjusted basis. The adjusted basis is the original purchase price of the timber adjusted for addition or deletion of the capital of the property. The depletion allowance is deducted from timber sale receipts in calculating taxable income. In this way the investment in timber is recovered. Depletion is calculated the same for California income tax as it is for federal income taxes.

To use the depletion allowance, the cost basis of the timber must be established. The cost basis is the fair market value of the timber at the time of acquisition. The cost of land and improvements are carried in a separate account. At the time of purchase or inheritance, the fair market value of the property is allocated between the timber and the land. These amounts can be estimated well after original acquisition; however, there is a



Up-to-date records must be kept to accurately assess tax liability and take advantage of tax breaks. Good records are also necessary to take advantage of cost-sharing programs. A written management plan is a useful tool to establish these records.

Two basic methods of accounting may be used—accrual or cash. With the accrual method, transactions are recorded as they occur. Under cash accounting, transactions are recorded when cash is received or paid out. For the small landowner, cash accounting is often the easiest.

The accounting system consists of a transaction journal and a series of ledgers documenting various accounts and subaccounts. The transaction journal is a chronological listing of all transactions regarding the property. Each is given a number which is used to key to the various ledgers. Date, description, amount, intent, and other pertinent details are given. Non-financial information, such as the results of a timber cruise, can be included.

Ledgers documenting the various

accounts should be maintained. At a minimum, accounts should be established for land, timber, buildings and improvements, and Christmas trees. Subaccounts can be established to give a more specific representation.

The timber account is usually divided into three subaccounts: plantation, submerchantable timber, and timber. The plantation subaccount documents the costs of site preparation, seedlings, planting, planting tools, and some costs of releasing the plantation. As the seedlings reach the sapling stage, the plantation subaccount is closed out and amounts are transferred to the submerchantable timber subaccount. Likewise, when the timber becomes merchantable, it is transferred to the merchantable timber subaccount. For mature timber, both cost and volume data should be kept.

A similar series of accounts are kept for Christmas trees. Because they become merchantable faster than most forest products, special rules apply.

The land, building, equipment, roads, and other assets should have a separate account. In short, any asset on which depreciation is taken or that may affect the adjustment of the basis should be included in the accounting system.

cost in making such determinations. For most landowners, if the property was acquired more than 10 years ago, the basis may have been so small that the cost of calculating the original basis may exceed the gain in tax savings. The more recent the purchase, the greater the justification of the expense.

If more land is purchased, the original basis must be updated. Remember to allocate between the land and the timber. As timber is cut, the basis must be depleted to reflect the amount removed. The depletion unit is defined as:

$$\text{Depletion Unit} = \frac{\text{Total Adjusted Basis}}{\text{Total Timber Available}}$$

The depletion allowance is determined by multiplying the amount of timber removed by the depletion unit. The basis is then adjusted by subtracting the depletion allowance from the previous adjusted basis. Land and timber translations relating to these sections of the IRC (Sections 1221, 1231, 631a, and 631b) are documented on IRS Form T, Forest Industries Tax Schedules.

(continued next page)



Tax Primer *(from page 7)*

Expenses

Expenses are either capital, ordinary, or carrying charges. Capital expenses are related to obtaining or improving a capital asset and are recovered when the capital asset is sold. Capital expenditures are not deductible. The expenses of a sale are charged against capital gains.

Ordinary or current expenditures are deducted from income in the year they occur. Which expenses are capital or ordinary deductible expenses is frequently debated.

Carrying charges are ordinary expenses that may be capitalized at the election of the taxpayer. These costs are deductible, but because of the individual's tax situation, expenses—such as interest on mortgage, fire protection costs, or insurance—may be treated as a capital expense. Taxpayers who take a loss for the year or take the standard deduction instead of itemizing deductions may benefit from capitalizing these expenses. Some taxes are deductible as ordinary expenses if itemized on your federal return. These include state and local taxes for real and personal property and income taxes. Federal income, excise, gift, inheritance, or estate taxes are not deductible.

Most of the costs for reforestation are considered capital expenses in that they give rise to a capital asset. These costs should be included in the basis for depletion. Brush removal within 2 years of planting is considered a cost of reforestation and should be capitalized.

Because reforestation is considered a capital expense, it has generally been a disincentive to small landowners to manage their land due to the long time required to deduct these expenses. In 1980, Congress passed PL 96-451, which allows a 10% tax credit for planting and reforestation expenses to a maximum \$10,000 per year. The amount of money received as cost-share assistance cannot be included in the total. In addition to the 10% tax credit, certain eligible expen-

Current knowledge of tax legislation and regulations may allow you to minimize tax liability within the law's constraints.

ses may be amortized over seven years.

The costs of timber cruises are deductible from ordinary income when the expenses are incurred to assess the state of the property for management purposes such as developing a management plan. Timber cruises for the purpose of establishing a sale volume are a cost of the sale and are deducted from sale proceeds when the sale occurs.

Temporary logging roads that are used for one operation and then abandoned are depreciated over the period of use. Permanent roads have various costs that are treated separately. Costs of establishing the road, such as surveying, clearing the roadbed, or other nonrecur-

ring costs, are capital investments used to adjust the basis. Costs for culvert repair, bridges, or other periodic events are depreciable. Annual maintenance costs, such as graveling, repairing water bars, and mowing roadsides, are deductible from ordinary income.

Casualty losses resulting from a sudden, unanticipated natural disaster (e.g. fire) may be deducted from ordinary income. In contrast, losses due to insect attack usually must be capitalized because these types of losses can be lessened by planning.

Active, Passive, and Portfolio

Three types of income or loss are

Example: How to calculate reforestation tax credit

Assume a small landowner has \$12,000 in eligible reforestation expenses, of which 75% are covered by cost-sharing programs. Under the current law, 10% of the amount, exclusive of the cost-shared amount, is eligible for the reforestation tax credit. Thus:

$$\$12,000 - (.75 \times \$12,000) = \$12,000 - \$9,000 = \$3,000$$

The landowner can take a 10% tax credit on the \$3,000 invested.

$$\$3,000 \times .10 = \$300$$

In addition, the full \$3,000 can be amortized over a 7-year period. Because the investment is assumed to occur in mid-year, only 1/14 may be deducted in years 1 and 8. In years 2 to 7 the landowner deducts 1/7 of the investment. This deduction for the \$3,000 investment is calculated as follows:

Reforestation Tax Credit Calculation

| Year Deducted | Portion | Total |
|---------------|---------|---------|
| 1 | 1/14 | 214.29 |
| 2 | 1/7 | 428.57 |
| 3 | 1/7 | 428.57 |
| 4 | 1/7 | 428.57 |
| 5 | 1/7 | 428.57 |
| 6 | 1/7 | 428.57 |
| 7 | 1/7 | 428.57 |
| 8 | 1/14 | 214.29 |
| | | 3000.00 |

In California different laws apply to reforestation. Certain expenses may be amortized over 60 months. Election to amortize is decided by the taxpayer but must continue until fully amortized.



recognized: active, portfolio, and passive. Active income includes salary, bonuses, and other income derived from for-profit activities in which the taxpayer “materially participates.” Portfolio income is derived from investments and includes interest, dividends, and royalties, unless earned in the ordinary course of a trade or business. Passive income or loss is derived from limited partnerships and other business, trade, or investment activities in which the taxpayer does not “materially participate.”

Losses from passive activities can only offset passive income. They cannot be deducted from active or portfolio income. Passive losses can be carried over to future years and applied against future passive income. Tax credits from passive activities, such as the reforestation tax credit, can only offset tax payable on passive income. The basis in property is reduced by depreciation even if the deductions are not usable because of passive loss rules.

Most taxpayer losses from real estate operations are considered passive, even if the taxpayer is materially participating. If the taxpayer has at least a 10% interest in the venture, up to \$25,000 of losses may be considered nonpassive and, therefore, deductible.

The use of consultants should not make an activity passive if the consultant, such as a forester, acts at the request of the taxpayer. This means that the taxpayer must make the actual decisions; however, the forester can make suggestions and recommendations.

Other Income Tax Laws

If an activity makes a profit in less than three out of the past five years, the IRS assumes it is a hobby. All such assumptions are rebuttable, usually successfully. A written management plan demonstrates the long-term nature of forestry investments and the landowner's objective of a profit-making activity.

Tax laws are complex and subject to interpretation by the taxpayer, courts, and the IRS. If your tax situation is complicated, consult with a professional

Estate planning: integral part of good land stewardship

Estate planning professionals are fond of saying that estate and inheritance taxes are the only voluntary tax. Legal strategies exist that can drastically reduce your tax liability as your property passes to your heirs.

Estate taxes, imposed on the value of the property to be transferred prior to transfer, and inheritance taxes, imposed on the recipient after transfer, may force the sale of the property if not carefully accounted for in an estate plan.

Estate planning is even more complex than timber taxation. Careful knowledge of the estate tax laws is necessary to ensure that your estate is taxed at the minimum legal rate. The services of a good estate tax lawyer, trust officer, and estate planner may be necessary if your efforts for producing a valuable timber crop on your land are to be continued by your heirs.

Remember that the professionals you employ charge by the hour and an expert's time is costly. Those charges, though, are frequently money well spent in terms of the amount of taxes assessed. Be prepared to answer at least the following questions:

- **Who** will receive your assets? You must supply the name of your beneficiary and any special considerations, e.g. beneficiary is under age.
- **Why** are you making your estate plan? What are your objectives?
- **When** do you want to implement the

transfer—during life, at death or after?

- **What** property rights do you wish to transfer and to whom? You should have a reasonable inventory of the assets on your property.

- **How**, given the owner's objectives, is the property to be transferred? Tax savings are important at this point but only to the extent that it does not interfere with the owner's objectives.

Due to the great complexity of estate planning, this discussion will stop here covering only the most general principles. You are strongly advised to consult a professional to ensure that the land that is such an important part of your life continues to benefit your family.

Two references you should have in your library regarding forestry-related taxes and estate planning are:

- ◆ **Timber Tax Management for Tree Farmers**, William L. Hoover, Professor of Forest Economics, Purdue Univ. \$25 payable to: Purdue University. Send to: Ag. Com. Svc. Media Distribution Ctr, 301 South 2nd Street, Lafayette, IN 47901-1232. (317) 494-6794
- ◆ **Estate Planning for Forest Landowners: What will Become of Your Timberland?** Harry L. Haney, Jr. and William C. Siegel. 1993. USDA Forest Service General Technical Report SO-97. Available on the *Working in the Woods CD* or by calling the Forest Stewardship Helpline 1-800-738-TREE.

tax consultant or Certified Public Account who is familiar with tax treatment of timber. Many are not. Conversely, foresters, who are technically proficient in their field may be unfamiliar with tax laws. Some foresters do specialize in tax preparation.

All professionals will charge for their time, usually by the hour. Keeping your records clear and organized may save a

significant amount of money. Current knowledge of tax legislation and regulations, including recent changes, may allow you to minimize tax liability within the law's constraints. Joining landowner associations is one way to keep current.

—from *Working in the Woods: A guide for California's forest landowners* (Copyright 1998 UC Regents). See page 10 for more resources on forest tax laws.



Resources

Sources of California natives

When planting seeds or seedlings, it's nearly always best to use native plants from the same area. Those ecotypes will be well-adapted for the specific environment, thus giving them a better chance for survival. In addition, using natives can avoid problems of genetic contamination which can arise if stock from a less adaptive ecotype inter-breeds with local plants.

Many nurseries stock native plants. To find suppliers in your area contact the L.A. Moran Reforestation Center (CDF nursery) for their listings of "Sources of Seedlings for Wildland Plantings" and "Private Seed Dealers."
NOTE: The phone number has changed,

call (530) 753-2441.

In addition, the California Department of Conservation Office of Mine Reclamation has a 50+ page booklet entitled "Nursery Sources for California Native Plants." This contains lists of nurseries that stock native plants as well as those that will contract collect or contract grow California seeds. The booklet is divided into sections that include fern & fern allies, grasses, herbaceous plants, shrubs, and trees. Copies are sold for \$10 through the Division of Mines and Geology or contact the Publications and Information Office, 801 K Street, MS 14-33, Sacramento, CA 95814, (916) 445-5716.

Need tax information?

Want to learn more about current tax laws? There are lots of resources available, especially if you can use the internet. Here are a few of the best:

A fabulous website called **Timber Tax Management** is being developed by Purdue University in cooperation with the U.S. Forest Service. The purpose of the site is to answer specific questions regarding the Internal Revenue Code as it applies to timberland. Besides general information on tax strategies, new developments, and specific questions based on your ownership classification, the site covers timber issues including basis determination, passive activity loss restrictions, reforestation investment tax credit and amortization, timber income, timber losses, Christmas tree production, structuring timber activities, and spreading timber income. There are court cases, revenue rulings, and links for downloading federal and state tax forms and publications as well as links to other tax sites. This website should be your first stop! Go to <http://www.fnr.purdue.edu/ttax/>.

Larry Bishop of the Forest Service writes an update each year on changes in the tax situation for forestland owners. It should be available at the beginning of 1999 at <http://www.uga.edu/soforext/forestmgmt.html>.

Agricultural Handbook #708: Forest owner's guide to the Federal income tax is at <http://www.uga.edu/soforext/forestmgmt/ghandbook.html>.

We will continue to provide links to these and other tax-related sites at the California Forest Stewardship website at <http://ceres.ca.gov/foreststeward/Landowners.html>.

Technical Assistance Resources

any agencies are available to provide technical assistance, referrals, information, education, land management plan assistance, and advice.

California Stewardship Helpline (800) 738-TREE

California Department of Forestry and Fire Protection

Forestry Assistance Program
Jim Geiger
(916) 653-8286
jim_geiger@fire.ca.gov

California Association of RCDs

Thomas Wehri
(916) 447-7237
carcd@ns.net

California Resources Agency:

California Environmental Resources valuation System (CERES)
Deanne DiPietro
(916) 653-8614
deanne@ceres.ca.gov

Forest Service Agency

Larry Plumb
(530) 792-5520

Natural Resources Conservation Service

Jerry Reioux

(530) 792-5655

(209) 946-6229

jerry.reioux@ca.nrcs.usda.gov

California Dept of Fish & Game

Terry Mansfield
(916) 653-1921
tmansfie@hq.dfg.ca.gov

U.C. Cooperative Extension Forestry

John LeBlanc
(510) 642-6678
jleblanc@nature.berkeley.edu

Richard Harris
(510) 642-2360
rrharris@nature.berkeley.edu

Gary Nakamura
(530) 224-4902
gmnakamura@ucdavis.edu

USDA Forest Service

Sandra Stone
(415) 705-2587
sstone/r5@fs.fed.us



Calendar

January 21–23, 1999

Calif Forestry Assn. Annual Meeting
Napa
California Forestry Assn.
Eleanor Anderson 916-444-6592
<mailto:eleanora@cwo.com>
\$270-\$320
<http://www.foresthealth.org/>

January 30, 1999

Annual CLFA Gil Murray Memorial Ski Race
Mt. Shasta, CA
California Licensed Foresters Assn.
Hazel Jackson 209-293-7323, fax 209-293-7544 <clfa@volcano.net>
<http://www.clfa.org/>

January 30–31, 1999

Licensed Timber Operator Training
Weed, CA
California Department of Forestry
College of the Siskiyous 530-938-5206
\$48; 2 eight-hour day classes; \$75 license

January 31–February 3, 1999

Conserve '99: The Premier Water Conservation Conference
Monterey, CA
Susan Blount Miller 303-347-6181
<smiller@awwa.org>

February 11–13, 1999

Sierra Cascade Logging Conference
Redding, CA
Sierra Cascade Logging Conference
Bill Dennison 530-258-2058
<mailto:logging@sierrascascade.com>;

February 11–12, 1999

Forestry Education Exchange
Redding, CA
NorCal Society of American Foresters
Claralynn Nunamaker 800-738-TREE
<mailto:ncsaf@mcn.org>
Audience: Persons involved with K-12 forestry & natural resources education

February 18–21, 1999

Salmonid Restoration Conference
Brookdale, CA
Americorps, Cal. Comm. Salmon
Trollers, CDF&G, NRCS, Forest, Soil & Water, McBain & Trush, Nat'l Fish &

Wildlife Foundation, Trout Unlimited
\$80-\$100 (workshops extra); 707-444-8903; <mailto:salrestfed@aol.com>

February 19–21, 1999

Fighting for the Rivers—Friends of The River 19th Annual Rivers Festival
915 20th St., Sacramento, CA 95814
Greta Ossman 916-442-3155 ext. 203,
<mailto:ossman@friendsoftheriver.org>
<http://www.friendsoftheriver.org>

March 2–4, 1999

California Under Fire Partnership
Irvine, CA
The Alliance for a Fire Safe California

March 3, 1999

Environmental Compliance
Davis, CA
University of California Extension
800-752-0881, fax 530-757-8558; \$215
<http://universityextension.ucdavis.edu> Section 983U201

March 12, 1999

Lake Tahoe Ecological Forum
S. Lake Tahoe, CA
Tahoe Basin Biological Advisory Group,
CDF&G, Cal. Dept. of Parks & Rec, Cal.
Tahoe Conservancy, & others
Richard Robinson 530-542-5560 ext. 19
<mailto:r_robinson@2xtreme.net>

March 13–14, 1999

Wild On Wetlands Weekend
Los Banos, CA
Grassland Env. Ed. Ctr. USFWS,
CDF&G, Cal. State Parks, Grassland
Water Dist., Los Banos, Campus of
Merced College, City of Los Banos, etc.
Cheryl Buettner, H: 209-827-9787; W:
209-826-5188 <cbuettner@telis.org>
Audience: Families, birders, everyone
\$10 for 1 day, \$15 for 2 days
children 16 and under free with paid adult

March 15–26, 1999

Forest Conservation Days
Saratoga, CA
NorCal SAF and others
Keith Guenther 510-689-2431
<Wildland@jps.net>; Sherry Cooper 530-224-4902 <shcooper@ucdavis.edu>; no cost; Volunteers Needed!

March 18–20, 1999

American Wetlands Month

Conference: Communities Working for Wetlands

San Francisco, CA
Terrene Institute
703-548-5473 <mailto:terrinst@aol.com>

March 27–28, 1999

Licensed Timber Operator Training
Sacramento, CA
California Department of Forestry
Am River College 916-484-8643; \$48
2 eight-hour day classes; \$75 license fee

March 29, 1999

Managing California Watersheds: Protecting Water Quality and Aquatic Habitat
Sacramento, CA
University of California Extension; \$165
800-752-0881; fax 530-757-8558
<http://universityextension.ucdavis.edu>
Section 983U600

April 14, 1999

Endangered Species Regulation and Protection
Davis, CA
University of California Extension
800-752-0881, fax 530-757-8558; \$215
<http://universityextension.ucdavis.edu> Section 984U220

April 16, 1999

Vegetation Management and Fire Hazard Reduction for Local Communities
Davis, CA
University of California Extension
800-752-0881, fax 530-757-8558; \$215
<http://universityextension.ucdavis.edu> Section 984U217

For more information, call the number given or the Forest Stewardship Helpline, 1-800-738-TREE. To submit an event or to receive this calendar by e-mail, contact Sherry Cooper, shcooper@ucdavis.edu

ONLINE CALENDAR!

You will find a more comprehensive calendar, updated regularly, at the Calif. Forest Stewardship website:
<http://ceres.ca.gov/foreststeward>

In accordance with applicable State and Federal laws and University policy, the University of California does not discriminate in any of its policies, procedures, or practices on the basis of race, religion, color, national origin, sex, marital status, sexual orientation, age, veteran status, medical condition, or handicap. Inquiries regarding this policy may be addressed to the Affirmative Action Director, University of California Division of Agriculture and Natural Resources, 300 Lakeside Drive, Oakland, CA 94612-3560; telephone 510/987-0097.



Noxious Weeds

Exotic pest plants a growing concern

Exotic plants come into California all the time—some are introduced intentionally as ornamentals, while others stow away on ships, tires, in packing material, or are introduced by a number of other means. Most remain in limited populations in their new environment but occasionally a species thrives too well, wreaking havoc on the native ecosystem.

Ecosystems are complex associations of organisms that have evolved together over time. There are numerous checks and balances on each individual species in its natural environment.

Exotic pest plants, on the other hand, have been freed from their native control agents—insects, disease organisms, other competing plants, herbivores—and may reproduce unchecked in the new environment. When that happens, it can change a native ecosystem forever.

These noxious weeds are aggressive and can damage natural areas in a number of ways. Some simply outcompete native plants for nutrients, water, or light. Others actually change ecosystem processes such as nutrient cycling, hydrology, wildfire cycles, and in some cases by interbreeding with native plants.

There is a growing awareness of the

dangers of exotic pest plants. Two widely recognized lists of pest plants have been developed, one by the California Dept. of Food and Agriculture and the other by the California Exotic Pest Plant Council (CalEPPC). Both are divided into categories. The CalEPPC list includes a total of 76 species of which 27 are on the A-1 list—Most Invasive Wildland Pest Plants: Widespread.

Forestland owners should be aware of those pest plants that can cause harm to their property. These include:

Cape Ivy (formerly German Ivy) and **English Ivy** live mostly in coastal watersheds. They form a dense blanket over everything, climb trees, and displace other plants by smothering them and cutting off light. These plants can become so abundant that their weight will break the stems of shrubs and trees.

Brooms (French, Scotch, Portuguese) have invaded ecosystems from coastal So. California to the foothills and redwood forests. They have all the attributes of a successful weed—fast growth rate, broad physiological tolerances, prolific seed production. Brooms commonly form impenetrable thickets. They change the chemistry of the environment by



Dee Vlasak

The lovely French Broom with its bright yellow flowers is one of the Pest Plants of Greatest Ecological Concern in California.

—A Plague of Plants, Wildlands Restoration Team

fixing nitrogen and enriching the soil, thus changing the plant community.

Gorse is a close relative of the brooms with stiff spines that make them more difficult to remove.

Yellow Star Thistle is ubiquitous in California. Once seed set occurs, new plants may emerge for 5 years or more.

You can help by taking these steps:

- ◆ learn to recognize exotic pest species in your area.
- ◆ avoid these plants when choosing species for landscaping projects.
- ◆ remove pest plants when discovered on your property; this is much easier to do when population numbers are low.
- ◆ join with others in work parties to eradicate noxious weeds. Contact:

CalEPPC, 31872 Joshua Drive, Apt. 25D, Trabuco Canyon, CA 92679-3112. <http://www.igc.org/ceppc/index.html>.

California Native Plant Society (CNPS), 1722 J St., Suite 17, Sacramento, CA 95814; (916) 447-2677. http://www.calpoly.edu/~dchippin/cnps_main.html. See the special edition of *Fremontia* (Volume 26:4, October 1998) devoted to invasive exotic weeds.

The Wildlands Restoration Team, 408-423-2801; <http://www.wildwork.org>.

Look for more discussion on control of pest plants in future issues of Forestland Steward.

can the *Forestland Steward* newsletter help you?

like to see more information on _____

suggestion is _____

add me to the mailing list / change my address:

name _____

address _____

city, state, Zip _____ Phone _____

Send to CDF, Forestry Assistance, P.O. Box 944246, Sacramento, CA 94244-2460.
Phone: (916) 653-8286; Fax: (916) 653-8957; e-mail: jim_geiger@fire.ca.gov