



Renewable Natural Resources Timely Tips

Volume 18, No. 3

Landowners

Summer 2008

Should You Manage Your Forest?

Recognizing that management is not an ecological necessity for the general function of a forest, why then would we need to manage it?

Management is “taking action to achieve specific goals,” including providing or improving habitat for a species or community of species, contributing to biodiversity and conservation, and considering the potential for providing wood and non-timber products.

Many people, the majority perhaps, own their forest for reasons other than timber, deer and rabbits. Many folks just like their forest. They walk through it, see it, smell it, sit and listen to the resident songbirds. Unless a forest is disturbed, it changes imperceptibly slow. For most folks, forests evoke stability, security and spirituality. For these people, management is not only unnecessary, it is disruptive, and flies in the face of personal spirituality. Many forest landowners may cast these opinions on all forests, regardless of who owns them. Doing nothing is a perfectly acceptable management decision, but it ultimately is a management decision.

Other landowners wish to have certain animal species to hunt, wood to sell or burn, leaf colors to enjoy, as well as clean water to drink. These folks may choose a more active approach in their management decisions. Their methods may bother their neighbors or fellow landowners, who cry, “Not in my backyard – NIMBY.”

A third group of landowners want to create a forest that is “better,” where “better” is something valued by the landowner, manager, neighbors and society. This aspiration is sometimes called “restoration.” Restoration is active management that is not “doing nothing,” but is not totally commodity driven either. Using a restoration philosophy, all points on a spectrum of values and behaviors are available as goals for management.

(Adapted from Brenda C. McComb. Wildlife habitat management: concepts and applications in forestry / c2008: CRC Press/Taylor & Francis Group, Boca Raton, Florida.)

*Larry Tankersley
Extension Forester*

Forest Health Fundamentals

E.L. Barnard, a forest pathologist with the Florida Division of Forestry, recently authored an article on forest health that is appropriate for discussion in Tennessee. Below are excerpts from that article, used with the author’s permission. The entire, original article may be accessed at http://www.fl-dof.com/forest_management/fh_fundamentals.html.

“Forest Health” has become a popular buzzword in natural resource circles. Everyone uses it, sometimes in different ways, and for different purposes. What does forest health mean? Why is it popular? Are Tennessee’s forests healthy? Are your forests healthy? Why should we care?

Defining forest health has proven to be something akin to shooting at a moving target. Different groups and individuals often have different values and definitions for forest health. Attempts to formulate a standard “one size fits all” definition are difficult because of scale. What is the scaling unit: a plantation, a particular ownership, a county, a state, a region? Such scale is not always defined, and is often prioritized differently by different people based on individual or cultural viewpoints. Another reason seems to be one’s concept of “healthy” is often linked to what he or she desires from the forest. What may be undesirable for managers, who emphasize wildlife habitat or biodiversity, may be desirable to those who are interested in recreation or timber management and vice versa.

Forest health is not the same as tree health. A sick and dying tree does not necessarily represent a health problem for the forest. Dead and dying trees are normal parts of a healthy forest. Generally, as trees become larger, they require more space. In turn, the land supports fewer trees with this increased size. The dynamics of the forest is a reality (not steady state) that should be understood when addressing forest health issues.

Why is “forest health” so popular? First, it sounds good and it is a “politically correct” phrase. Different groups (with different value systems) support differing political agendas. Who can argue against healthy forests? Anybody interested in promoting unhealthy forests? However, the phrase represents a reasonable concept, a goal

with which landowners and resource managers can identify, and to which they can aspire.

Are Tennessee's forests healthy? Some are and some aren't. Are your forests healthy? Forests characterized by off-site species, overstocked (too many trees), preponderance of old declining/dying trees, excessive midstory vegetation, excessive fuels and invasive species are, by most accounts, considered unhealthy. Most all these conditions result in low-vigor trees competing for scarce resources: water, nutrients, light and space. Low-vigor trees are prime habitat for certain pests that build up populations and subsequently spread to neighboring (healthy) trees and forests. Build up of fuel loads and fuel ladders increases the susceptibility of high-fire hazard scenarios.

Should we care? Not only do healthy forests assure us of sustainable wood production, they are vital for fresh air, wildlife habitat, clean water, enjoyable outdoor recreation and quality of life. Unhealthy forests have been contributors to major wildfires and bark beetle outbreaks. Quite often, catastrophic fires and bark beetle outbreaks are symptoms of unhealthy forests, not the cause. To the extent that unhealthy forests and forest conditions remain, and to the extent that we focus on treating symptoms (e.g., killing beetles or putting fires out), while neglecting the underlying causes of the problem (unhealthy forest conditions), we can expect more damaging fires and more pest outbreaks. Contrary to the thinking of some, a "hands-off" approach is not a suitable option for developing and maintaining healthy forests. Historic land use and decades of fire suppression have resulted in an abundance of aging and overcrowded conditions. These realities, now also influenced by the threats posed by invasive, non-native pests and the sprawling wildland-urban interface with its associated land parcellation and fragmentation demands proactive land management.

So, what is the meaning of forest health? Have some fun, use your online search engine and evaluate the various interpretations for forest health. Ultimately, we all need healthy forests. To get them, we need natural resource professionals well-versed in ecology, economics, management and social skills making critical decisions to ensure healthy forests.

*Wayne K. Clatterbuck
Forest Management and Silviculture
Forestry, Wildlife & Fisheries*

When a Tornado Strikes: What to Know about Claiming a Casualty Loss

Risk is inherent to long-term investments. Perhaps no risk is more greatly feared by timberland owners than a direct tornado strike. Damage is normally so devastating that the decrease in timber value reaches 70 to 100 percent loss. Landowners are often left confused about how to proceed. The following steps are suggested to help in salvaging damaged timber and in maximizing IRS tax deductions via timber casualty loss.

Before a casualty loss can be claimed, landowners should document and keep as evidence the tornado casualty with newspaper articles and photographs. An attempt must also be made to salvage the damaged timber by contacting professional foresters and loggers. Salvage revenue is deducted off the casualty loss. Begin by salvaging the better stands of timber first. Understand that salvage logging is often difficult and unsuccessful, with logger interest very low due to a number of constraints, including harvest dangers, slow logging production and unseen quality defects in the wood.

The next action is to attempt to claim a *casualty loss*. The IRS recognizes a casualty loss as the "actual loss of tangible or measurable property, which is evidenced by a closed and complete transaction, fixed by identifiable events, and actually sustained during the taxable year." The casualty must be a natural or other external force, acting in a sudden, unexpected and unusual manner. Therefore, tornados and fires qualify; diseases and drought don't. The amount deductible as a casualty loss is the lesser of: 1) the decrease in fair market value of the timber as a result of the casualty or 2) the adjusted tax basis in the timber, *less* any salvage revenue.

Arriving at the **decrease in fair market value** (FMV) requires an inventory and appraisal normally conducted by a professional forester. Essentially, it's the difference between the timber value directly prior to and directly following the casualty. Foresters can estimate these two values. If salvage income was realized from the damaged timber, this must be included in the calculation. Logging tickets and receipts should be saved to aid the forester in estimating the decrease in FMV.

Arriving at the **adjusted tax basis** is normally more challenging. Essentially, the tax basis is the investment value or the amount invested in a capital item. When the property is sold, or when there is a loss, or the property (the timber) is used up, the basis is depleted by recovering it through deductions to gross income on tax returns. The original tax basis varies according to how the property was acquired, whether purchased, inherited or gifted. In cases of purchased property, the basis is the total acquisition cost of the timber. With inherited property, the basis can be stepped-up to the FMV at the time of the donor's death. When property is gifted, the recipient obtains the donor's basis. With most ownerships, the basis exists, but was never allocated at the time of land acquisition. In other words, a forester did not appraise the timber. In such cases, a forester can make a current inventory of the timber, then adjust the current volume and value back to the time of acquisition and arrive at the basis. If timber has been logged between the time of acquisition and the casualty, the basis would then be adjusted down to reflect the depleted trees.

Once the decrease in FMV and the basis are known, casualty loss can be figured. It is the lesser of these two. Normally if the casualty is extensive, the decrease in FMV will exceed the basis and a landowner will not be able to recapture the full loss from the tornado. If the basis is zero,

the casualty loss is zero. Situations where the basis might be zero (or negligently low) might include:

1. Timberland that was acquired many years ago that has grown considerably (i.e., timber value was insignificant at the time of acquisition);
2. Timber that had naturally regenerated after acquisition (for instance, after a clearcut or after a field was abandoned) with no owner investment in the new trees;
3. Reforested land where costs were recovered through tax credits, deductions or government cost-sharing;
4. Property that was gifted and the gifter's basis was low or zero;
5. The basis account has already been fully depleted from prior timber sales.

Casualty losses are reported on IRS Form 4684. If a casualty loss can't be claimed, and salvage revenue was received, the income must be reported as a capital gain. Likewise, if salvage revenue exceeds the basis, this excess is a taxable capital gain.

Claiming a casualty loss is a complicated process. Unless landowners have considerable knowledge of timber inventory and appraisal, they should work with experienced foresters and tax accountants. Finally, it is good business to have timber appraised shortly after acquisition, to establish a tax basis, thereby making the process described here much easier. For more information, refer to the National Timber Tax Web site – www.timbertax.org.

David Mercker
Extension Forester

Illegal Logging

Recently I was contacted by a lawyer who was representing a Tennessee landowner in a 'timber trespass' case. A logger had cut over the line onto his clients' property and the lawyers and judge involved were figuring out how much compensation the landowner deserved for the lost trees. This case, while not uncommon, reminded me that, in this country, timber theft is the exception that proves the rule: the rule of law that governs land ownership and timber harvest is generally obeyed. This is in contrast to some other countries and could prove to be an advantage for the forest products industry in the U.S. as it seeks to compete in the global marketplace.

Illegal logging is a significant problem in some countries, where it can lead to deforestation and a loss of revenue for landowners. Illegal logging also hurts the global (legal) forest industry when it undercuts the value of timber products. Illegal harvesting overseas is estimated to cost the U.S. forest industry \$1 billion per year. However, there is increased awareness of illegal logging and its negative impacts, and increasing efforts to combat the activity.

In response to the increased clearing of its vast forest resource, the government of Brazil is stepping up enforcement of forestry laws. For example, a Swedish-owned company was recently fined \$275 million for alleged illegal logging activity in the Amazon. Here in the U.S., the

most recent Farm Bill includes new rules to monitor the origin of imported wood products in an attempt to prevent illegally-logged wood from entering the country. The forest certification schemes (e.g., FSC and SFI) that are becoming a more important part of the forest products trade worldwide also include rules that prevent illegal forest harvests.

As forest certification becomes more widely accepted, and as consumers and government authorities increasingly scrutinize the supply chain of forest products, this could increase the market share available to the U.S. forest industry, where the legality of the harvest is generally assumed.

The forest resource in the United States is large and growing. It also contains high-value tree species whose wood properties are well understood and accepted in the marketplace. These are significant competitive advantages in the world wood marketplace. Add to those advantages the presence of a well-established and law-abiding forest industry, and it is very likely that the United States will be a major producer of wood products to the world for some time to come.

Adam Taylor
Extension Wood Products Specialist

Thoughts on Tennessee Timber Theft

As Dr. Taylor just pointed out, timber theft is not common in the U. S. or Tennessee. Finding that someone has cut and removed some of your trees, however, is extremely distressing.

Did someone steal your trees? A person commits the crime of "theft of property" when that person knowingly obtains or exercises control over the property without the owner's consent with intent to deprive the owner of property.

Was it an accident? This is an important element of the situation. If the taking of the timber is an accident or negligence, the matter is civil, not criminal.

Here's the problem. Timber theft is often covert with few witnesses, identifying the thieves is difficult. Questions surrounding intent can make the legal framework regarding the "theft" as problematic as the theft itself.

The legal hurdles for obtaining a criminal conviction for timber theft are challenging, because all elements of the crime must be proven "beyond a reasonable doubt." Depending on when the theft is discovered, investigating the crime often presents unique forensic challenges.

Proving criminal intent beyond a reasonable doubt is compounded if a court can be persuaded that the theft was an accident and unintentional. Lack of intent may preclude the possibility of a criminal conviction. In this instance, civil remedies are our recourse.

A boundary dispute or discrepancy effectively eliminates pursuit of a criminal conviction. To pursue a criminal action, the burden of establishing the actual boundary is then on the state, which must absorb the survey costs. A state cannot successfully prosecute a timber theft unless and until the property lines are well-established.

Considering the costs of a survey, the risks associated with ownership disputes and the considerable uncertainty regarding intent make pursuing criminal sanctions unjustified in the minds of many local prosecutors. It might be advisable to have law enforcement speak at your next County Forestry Association meeting.

*Larry Tankersley
Extension Forester*

If you do not want to continue to receive this publication, please let us know.



*Extension Specialist
Forestry, Wildlife and Fisheries
(865) 974-7977*

Natural Resources Timely Tips — Landowners

From:

Leader/Agent

Visit the UT Extension Web site at
<http://www.utextension.utk.edu/>

THE UNIVERSITY of TENNESSEE

4.7M E12-4915-00-001-09 08-0060

Programs in agriculture and natural resources, 4-H youth development, family and consumer sciences, and resource development.
University of Tennessee Institute of Agriculture, U.S. Department of Agriculture and county governments cooperating.
UT Extension provides equal opportunities in programs and employment.

**The University of Tennessee
Institute of Agriculture
Department of Forestry, Wildlife and Fisheries
2431 Joe Johnson Drive Rm 274
Knoxville, TN 37996-4563**

**NON-PROFIT ORG.
U.S. POSTAGE
PAID
KNOXVILLE, TN
PERMIT #481**