

EDITOR

Tom Linville

EDITORIAL COMMITTEE

Ron Berryman

Larry Camp

Denise Levine

Claire McAdams

Valdek Parik

John Williams

John Wilson

BOARD OF DIRECTORS

Don Beaty, Redding

President

Joe Smailes, Quincy

1st Vice President

Russell Greenlaw, Livermore

2nd Vice President

Carol Michener, Zenia

Treasurer

Fran Belden, Redding

Secretary

Claire McAdams, McKinleyville

Past President

Larry Camp, Castro Valley

Jim Chapin, Redding

Matt Greene, Cazadero

Jerry Jensen, Tuolumne

Tom Linville, Gazelle

Ethan Luckens, McKinleyville

Valdek Parik, Aloha, OR

Charl Stoneman, Eureka

Ron Ward, Cohasset

John Williams, Occidental

John Wilson, Redding

DIRECTOR EMERITUS

Joe Russ IV, Ferndale

Charles Wagner, Stockton

Peter Parker, Altadena

EXECUTIVE DIRECTOR

Deidre Bryant

(877) 326-3778

deidreb@forestlandowners.org

www.forestlandowners.org



President's Message

Don Beaty, FLC President

For those of you who were unable to attend, the Forest Landowners of California 2023 Annual Meeting and Field Day was held in Ukiah, California on May 6 and 7. The meeting was held in the Ukiah Valley Conference Center in what I understand is a re-purposed Safeway grocery store located in Ukiah's historic downtown shopping district. The venue was a perfect fit for the 70 people in attendance along with our 11 speakers.

In contrast to last year's meeting, which was a bit "fire-centric" by virtue of it being held in Chester inside the footprint of the 2021 Dixie Fire, this year's presentations ran the gamut from succession planning and what you need to do, State regulations and landowner perceptions, herbicides and their use, existing and planned biomass and bio-char facilities around the State, prescribed burning and formation of prescribed burn associations, to grant options available to forest landowners and an update by Brian White, KP Public Affairs, on California Legislation and Regulations at that point in the Legislative Calendar.

The theme of this year's meeting was "Resources You Can Use to Manage Your Forest," and as you can see from the topics above, the speakers did their part in "fleshing out" the theme. All in all, it was an informative day and all the presentations were well thought out and well delivered.

But, following the Annual Meeting Banquet, we just weren't quite done yet. We were treated to an amazing presentation by Chris Baldo with Roots of Motive Power talking about the Roots Steam Logging Rail Museum in Willits, California, and the programs they have to preserve, restore and exhibit the roots of motive power of the Pacific Northwest. His slide show was fascinating and a perfect ending to the day. If you were unable to attend the Annual Meeting but would like to learn more about the Museum, their Famous BBQ is back post-covid and will be held September 9-10, 2023 at the Museum in Willits.

Special thanks go to the Annual Meeting Committee Members Larry Camp, Matt Greene, Todd McMahon, Val Parik and John Williams for putting together an exceptional program and coming up with a cadre of knowledgeable, high quality speakers. Job well done!

And speaking of dates, we have two planned field days for this year – a September

Continued on page 12

this issue

President's Message	1
Legislative Update – Summer 2023	2
Adverse Impact of Wildfires in 2020	4
UCCE Forest Stewardship Workshops	4
FLC 2023 Annual Meeting Field Day – May 6	5
New Members	5
Tax Tips for Forest Landowners: 2022 Tax Year	6
CalFire News Release	10
Ask a Forester Summer 2023	11
FLC Recognizes the California Forest Conservation Foundation	11
We Appreciate the Generous Support of Our Contributors!	11
Calendar of Events	12
FLC Property Signs	12
Help Spread the Word	12

FLC Staff

DEIDRE BRYANT, EXECUTIVE DIRECTOR

Ext 2233

deidreb@forestlandowners.org

- Oversees all staff for the association
- Reports directly to the FLC Board of Directors
- Board governance and administrative operations
- Membership database management (updating existing records)
- Process new and renewing memberships
- Interact with members about their dues renewals
- Point of contact for members with questions about FLC events, etc.

TRACY BROWN, DIRECTOR, CREATIVE SERVICES & WEB DEVELOPMENT

Ext 2207

- Department head for design, production, and web services
- Update FLC website
- Design/layout of newsletter and annual meeting registration program

KATHI CAMPBELL STAFF ACCOUNTANT

Ext 2222

- Accounts payable
- Oversees accounts receivable clerk
- Addresses questions about receivables and payables
- Prepares financial statements

FOREST LANDOWNERS OF CALIFORNIA

3620 American River Drive
Suite 230

Sacramento, CA 95864

(877) 326-3778

(916) 294-0415 Fax

info@forestlandowners.org

www.forestlandowners.org



Forest Landowners
OF CALIFORNIA

Legislative Update – Summer 2023

By Brian White, FLC Legislative Advocate

With about three months left in the first year of the 2023-24 legislative session, the Legislature continues to debate hundreds of bills with many of them moving over to the second house. Of the 2,600 bills that were introduced earlier in the year, hundreds have been put on hold but there remains about 1,000 bills that are still alive as they survived the June 2 house of origin deadline. These bills will now be scrutinized with additional analysis as the Legislature approaches a July 14 deadline to move bills out of second-house policy committees in the Senate and Assembly Floors, and ultimately a September 14 deadline for all bills to pass the Legislature for Governor Newsom's consideration. Below are some of the key forestry and wildfire-related bills FLC is monitoring with recommended positions.

In addition, the Legislature and the Governor are focused on enacting a state budget for the 2023-24 fiscal year. On June 15, Democratic leaders in the Senate and Assembly passed their two-house budget agreement to address the state's \$32 billion budget deficit. Governor Newsom will have until June 30 to sign off on a final budget deal before the start of a new fiscal year, which begins July 1. While Democrats have yet to strike a budget deal with the Governor, their spending priorities are included in SB 101 (Skinner), which legislators passed under a simple majority vote on a party line basis so they could meet their constitutional deadline and continue to get paid. The Legislature will likely revisit the budget again in September since billions of dollars in delayed tax payments won't be known until October because many taxpayers were granted an extension to file taxes due to several counties hit hard by the winter storms.

Until the Governor signs the budget, legislative leaders will continue hammering out their differences to meet the June 30 signature deadline, but there are various funding and policy proposals, including proposals to streamline CEQA for various infrastructure projects that have been met with significant opposition from Democrats and environmental groups. Democrats are also seeking to restore more than \$1 billion in climate change funds that the Governor proposed cutting to help solve the state's budget deficit where he proposed to cover the funding from a yet-to-be approved climate bond that may appear before the voters in 2024. Some of the key funding highlights from the Legislature's budget plan in the resource and wildfire areas include maintaining nearly \$3 billion provided during the last four budget cycles for wildfire and forest resilience funds; restores \$5 million for defensible inspectors at CalFIRE; restores \$5 million for monitoring and research at CalFIRE; and provides a \$5 million funding increase to fund biomass transportation costs.

Last, it should be noted there will be some changes in the Assembly with an expected leadership change that will occur on June 30 as the Democrat Caucus selected Central Coast Assembly Member Robert Rivas (D-Salinas) to become the new Assembly Speaker taking over the leadership role from Los Angeles area Assembly Member Anthony Rendon (D-Lakewood) who has presided as Assembly Speaker for the last seven years but is termed out in 2024.

Key Legislation:

- **AB 338 (Aguiar-Curry)** would make it more challenging and costly to reduce future catastrophic wildfires by expanding the definition of "public works" to include "publicly funded fuel reduction work" that is done under contract as part of a fire mitigation project and falls within an approved apprenticeship program in the building and construction trades. This would include the payment of prevailing wage for any fuel reduction work done under contract exceeding \$100,000 that is "paid in whole or in part out public funds" as part of a fire mitigation project such as rural road fuel breaks, tree thinning, vegetation management, and fire breaks. There will be significant state costs to CalFIRE to ensure grantees comply with public works law, increase state General Fund costs, and put cost pressure on greenhouse gas reduction funds to fund more fuel reduction projects. Last year, Governor Newsom vetoed a similar bill but requested CalFIRE to work with the author on reaching a possible solution. However, a large coalition of forestry groups, including FLC, local governments, resource conservation districts, and utility union employees remain opposed to the bill. **OPPOSE / LOCATION: Senate Labor Committee**
- **AB 998 (Connolly)** would among other things, require the California Energy Commission to issue a comprehensive report by December 31, 2024, on utility-scale biomass combustion facilities still in operation as of January 1, 2024, including: 1) an assessment of biomass facilities that are able to process forest biomass and material resulting from vegetation

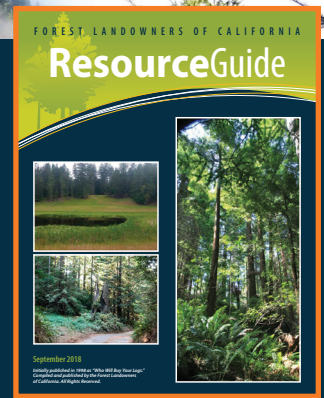
Continued on page 3

Legislative Update – Summer 2023

Continued from page 2

management and forest treatment projects; 2) an assessment of the role that each biomass facility can play in achieving the state's forest health improvement and wildfire risk reduction objectives; 3) a strategy to modernize or upgrade biomass combustion facilities while considering impacts to disadvantaged communities, rural forested or agricultural communities, and job creation; and 4) recommendations on how to replace baseload power if these biomass facilities ceased operation. **WATCH / LOCATION: Senate Appropriations Committee**

- **AB 625 (Aguiar-Curry)** would among other things, codify recommendations in the state's Forest Biomass Utilization Plan, including establishment of the Forest Waste Biomass Utilization Program at the Board of Forestry to help increase the use of forest biomass waste and develop a workforce training program; require the California Air Resources Board to include emissions from wildfires, pile burning and forest management activities in the GHG emissions inventory; and require the California Public Utilities Commission to indefinitely extend the BioMAT program beyond the 2025 sunset until the allotted 250 MW are procured. **SUPPORT / LOCATION: Held in Assembly Appropriations Committee – Failed**
- **AB 297 (Fong)** would extend from January 1, 2024, to January 1, 2034, the CalFire Director's authority to use advance payments from a grant program to fund fire prevention and home hardening education activities. **SUPPORT / LOCATION: Senate Natural Resources and Water Committee**
- **AB 692 (Patterson)** would exempt from CEQA, until January 1, 2030, an egress route project undertaken by a public agency to improve emergency access to and from a subdivision without a secondary egress route if the Board of Forestry and Fire Protection has recommended the creation of a secondary access to the subdivision and certain conditions are met. **SUPPORT / LOCATION: Held in Assembly Appropriations Committee - Failed**
- **AB 1554 (Patterson)** would expressly exempt from CEQA fuels reduction projects in areas within moderate, high and very high fire hazard severity zones. **WATCH/Location: Two-year bill**
- **AB 388 (Connolly)** would require the CalFire Director to establish a roadmap for developing and deploying larger landscape level projects to achieve the goals outlined in the Wildfire and Forest Resilience Action Plan and authorizes CalFIRE to award regional forest health and fire resilience block grants. **SUPPORT / LOCATION: Senate Natural Resources and Water Committee**
- **SB 436 (Dodd)** would require the Office of Energy Infrastructure (Office) to prepare a Wildfire Risk Baseline and Forecast for the state by April 1, 2025, and every three (3) years thereafter; would also require the forecast to establish key risk metrics for wildfire risk for the entire state; and would require OES to prepare a Wildfire Risk Mitigation Planning Framework by January 1, 2025, and every three (3) years thereafter, that quantitatively evaluates wildfire risk mitigation actions. The wildfire mitigation plan would be used to hold electrical corporations accountable for reducing wildfire risks. **WATCH CLOSE / LOCATION: Held in Senate Appropriations Committee**
- **AB 1159 (Aguiar-Curry)** would prohibit natural and working lands projects and actions that receive state funding from being eligible to generate credits under any market-based compliance mechanism for any GHG emissions reduced or removed as a result of the state funding. **WATCH / LOCATION: Senate Environmental Quality Committee**
- **SB 610 (Wiener)** would among other things, require a local agency to make a finding of necessity supported by substantial evidence in the record when including, as a moderate or high fire hazard severity zone, a zone not so identified by the State Fire Marshal. The bill would also eliminate the prohibition on local agencies decreasing the level of fire hazard severity zone as identified by the State Fire Marshal and would authorize a local agency, at its discretion, to exclude areas within the jurisdiction of the local agency, identified by the State Fire Marshal as moderate, high and very high fire hazard severity zones, from designation as moderate, high and very high fire hazard severity zones, respectively,



What Is the Resource Guide?

In 2014 Forest Landowners of California (FLC) published the Resource Guide. FLC is committed to publishing the Resource Guide every other year in even years. The fourth edition will be printed and distributed to members in the fall 2023.

The original publication called, "Who Will Buy Your Logs?" was published in 1998. The Resource Guide is compilation of mills and log buyers — personal contacts are made prior to each printing to ensure that the publication is as current as possible. If you know of changes or updates, please send the updates to staff at the FLC office (see below for contact information).

Associate members of FLC receive a complimentary listing in the Resource Guide. Associate members are individuals who provide a service or product to forest or timber landowners — consulting foresters, CPAs, appraisers, attorneys, etc. If you know a professional service provider who should be listed in this Resource Guide, please send the information to staff at the FLC office (see below). We strive to continue expanding the Resource Guide with resources that benefit the forest land owners.

Send your updates, inquiries or additions to Deidre Bryant:
Email: deidreb@forestlandowners.org
Call: (877) 326-3778
Fax: (916) 294-0415
Mail: Forest Landowners of California,
3620 American River Drive,
Suite 230
Sacramento, CA 95864

Continued on page 4

Interested in Advertising?

Download/view the rates for publications and website here:

<https://forestland-owners.org/resources>



Photo by Scott Graham on Unsplash

UC
CE

UNIVERSITY OF CALIFORNIA
Agriculture and Natural Resources

UC Cooperative Extension

UCCE Forest Stewardship Workshops

Register for a California Forest Stewardship Workshop

More information:
<http://ucanr.edu/forestryworkshops>

Registration fee all workshops is \$60.

Questions, contact Kim Ingram,
kcingram@ucanr.edu.

Legislative Update – Summer 2023

Continued from page 3

following a finding supported by substantial evidence in the record of the necessity of the exclusion. **WATCH / LOCATION: Assembly Utilities and Energy**

- **AB 1526 (Assembly Utilities and Energy Committee)** an omnibus resource code cleanup bill that would among other things, adopt regulations allowing a waiver of the one-time limitation that authorizes the Board of Forestry and Fire Protection to exempt from some or all the provisions of the act, a person that engages in specified forest management activities, including the one-time conversion of less than three acres to a nontimber use. The bill would authorize the Board of Forestry to adopt regulations for a waiver of the one-time limitation, including a process for an appeal of a denial of a waiver. **WATCH / LOCATION: Senate Natural Resources and Water Committee**
- **SB 867 (Allen)** would enact a \$15 billion general obligation bond known as the Drought, Flood, and Water Resilience, Wildfire, and Forest Resilience, Coastal Resilience, Extreme Heat Mitigation, Biodiversity, and Nature-Based Climate Solutions, Climate Smart Agriculture, Park Creation and Outdoor Access, and Clean Energy Bond Act of 2024. If approved by voters, it would fund projects for drought and water resilience, wildfire and forest resilience, coastal resilience, extreme heat mitigation, biodiversity and nature-based climate solutions, climate smart agriculture, park creation and outdoor access programs, and clean energy. The bond would provide \$3 billion for wildfire prevention. **WATCH / LOCATION: Assembly Natural Resources Committee**
- **AB 1567 (Garcia)** would enact the \$15 billion Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2024, which, if approved by the voters at the March 5, 2024, statewide primary election, would authorize the issuance of bonds to finance projects for safe drinking water, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, and workforce development programs. The bond would provide \$2 billion for forest health. **WATCH / LOCATION: Senate Natural Resources Committee**

For a comprehensive list of bills and links to their details:

<https://bit.ly/FLCbills061623>

To view Brian White's presentation at the Annual Meeting held in Ukiah:

<https://bit.ly/2023AnnualMeetingLegUpdate>

Adverse Impact of Wildfires in 2020

Interesting tidbit regarding the adverse impact of wildfires in 2020 from a new study by Department of Health Sciences at UCLA¹

If we compare fire GHG emissions to total GHG emissions of 418 mmt CO₂e total in 2019, this amounts to a 30% increase in total emissions by all sectors. This makes the GHG emissions from wildfires the second most important source in the state, after transportation (166 mmtCO₂e), but above either industry or electrical power generation (88 and 59 mmt CO₂e, respectively). Viewed from the perspective of what this means for wildfire emission reductions from all other

sectors combined, if we compare to reductions from 2003 to 2019 from 483 to 418 mmt CO₂e, the likely amount of increase from the fires is close to double all the emission reductions achieved in the state from 2003 to 2019.

¹ Michael Jerrett, Amir S. Jina, Miriam E. Marlier Up in smoke: California's greenhouse gas reductions could be wiped out by 2020 wildfires *Environmental Pollution Volume 310*, 1 October 2022.

FLC 2023 Annual Meeting Field Day – May 6

By Val Parik

FLC's May 6 Field Day took place on two properties along the Highway 20 coastal route near Fort Bragg. The first property visited is owned by The Conservation Fund. Their Big River property tour consisted of three different sites and was conducted by Scott Kelly, Timberland Manager/RPF.

The first stand visited was clearcut in 1960 with natural regeneration of the stand. In 2001 the stand was helicopter logged for overstory removal. In 2017 the site was selectively harvested. This remarkable timber stand appeared healthy following multiple harvests.

The second stand visited was clearcut in 1960 with a second entry in 2017 for white fir removal. The stand has a current stocking of 130sf per acre. This stand, too, appeared healthy.

The third stand visited was selection-harvested including hardwood conversion in 1981 with some reforestation around that period. Precommercial thinning took place during the years 1995 and 2000. At this site we could see the Big River, which is well shaded under the forest canopy. From the mid-1800s-1930s the logging process used Big River and splash dams to strategically float and flashflood logs many miles downstream to the mouth of the river when seasonal sufficient water was available. Today Big Creek is preserved for restoration of salmon habitat. Scott showed an example of watercourse restoration projects, where timber has been reintroduced into the river and anchored so that such debris can provide shelter and deeper pools for the salmon.

The Conservation Fund, Big River tributary property is well managed and proved to be a stunning example of silviculture.

The tour then moved to the Camp-19 property owned by Redwood Empire Sawmill. The tour was conducted by Nick Kent, Redwood Empire Resource Manager/RPF. Nick provided the group with a wonderful picnic site where we stopped for lunch next to McGuire Pond. During the lunch stop, Nick spoke of the history of Camp-19 and its current timber harvest operations having recently been purchased from Sopher Wheeler Company. The property consists of mixed Redwood and Douglas fir including several redwood timber plantations. Due to recent rainy weather, we did not tour a current logging operation where the roads were too muddy. Miles Anderson, LTO and owner of Anderson Logging Inc., was invited to speak about the current timber harvest as well as several challenges that loggers are facing in California.

Also during lunch, RPF Chris Blencowe spoke of his experience with water course management projects benefiting salmon habitat, having taken place in various coastal tributaries. He identified the strategies and most successful methods used introducing timber into the riverbed. He spoke about the benefits of utilizing cost share programs to achieve such results in a cost neutral manner. Thank you, Chris, for enlightening our members about this important salmon habitat protection resource.

After lunch, the tour then moved to one of the redwood timber plantations. RPF Bill Morrison spoke about the history of these plantations. Bill was a Sopher Wheeler employee when the plantations were planted on the property and spoke of their experiences with soil preparation, seed banks, timber cloning methods and of lessons learned. The plantation timber rows are numbered, and growth records are documented to maximize knowledge of best practices. Bill also spoke about the impact and mitigations regarding wildlife including deer and gophers. Thank you, Bill, for your extraordinary knowledge of redwood timber farming.

We are very grateful to Scott and Nick for providing the properties available and for being our excellent tour guides. The field day tour was well attended, and the group was actively engaged. It was a successful full day in the woods.



New Members

Please join us in welcoming new members so far this year.

Landowner Members

Daniel Gates (Mendocino County)

Chris Horton (Madera County)

Denny MacDonald (Daniel Lucero Family Member, Yuba County)

Diane Martinez (Wohpe and Michael Twofeathers Family Member, Butte County)

Lara McNicol (Tuolumne County)

Jennifer Robinson (Stephanie Mills Family Member, Santa Cruz County)

Tim Shaskan (Humboldt County)

Wohpe and Michael Twofeathers (Butte County)

Susan Walsh (Mendocino County)

David Wyman (Ted Wyman Family Member, Kern County)

Associate Members

Robert Jackson (Biomass/Biofuels)

Hiram Oilar (Land Management and General Engineering)

What You Can Find on the Website

The FLC website is host to a selection of articles previously published in newsletter, along with archived legislative updates. Access some of these directly from the home page or visit specific menus for other information, such as Legislative updates. In addition, view various information in the drop-down menus under Resources. Take a peek at the information nested below the Managing Your Forest menu. We welcome your feedback about information you would like to see on the website. Contact us at info@forestlandowners.org.

Tax Tips for Forest Landowners: 2022 Tax Year

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

As a private forest landowner, you may start to think about timber 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 overall taxes and increase disposable income.

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 November 28, 2022.

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 quite limited under this category.
- (2) **Investment.** You have a profit motive for the property; however, your activities don't 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 a passive activity (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) has specific factors to determine whether an activity meets the for-profit test and the material participation test. Generally, more weight is given to objective facts than to a taxpayer's statement in the determinations. Record keeping is crucial to support your profit motive and level of involvement.

Example 1. You own a 40-acre forest property. Although you occasionally visit the property to stay close to nature, you own the property primarily to generate a profit from timber sales in the future. You have a forest management plan developed by a professional forester with timber production as one of the management objectives. You consistently follow the prescriptions in the plan but have the forester update and modify the plan every 5 years. You join the local landowner association to stay current with information on forest management, policy, and market. You may classify your forest property as an investment for Federal income tax purposes.

Understand Timber Sale Income and Recovery of Timber Basis

Your taxes on a timber sale are determined by several factors, including classification of your forest ownership, holding period, and the method of selling timber. You pay taxes on the net, rather than gross, timber sale income. To find taxable net income, subtract the following from gross proceeds:

- Selling expenses (e.g., forester fees, appraisal, attorney).
- State/local severance, harvest, or yield taxes.
- Timber depletion allowance (or allowable timber basis) (see page 2 for more information on timber basis).

Sale of Standing Timber

Usually, income from the sale of standing timber that has been owned 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 2022, you sold your standing timber for \$20,000 using a lump-sum contract. 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 for long-term capital gains.

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.

This publication is based on the "2019 Tax Tips for Forest Landowners" published by Dr. Linda Wang of the USDA Forest Service with updates for the current tax year. We greatly appreciate the insightful comments on the earlier version of this publication from Amanda Perry, Joseph Bruce, Andrew Bosserman, and Andrew Fast. All errors remain the authors'. The findings and conclusions in this publication are those of the authors and should not be construed to represent any official USDA or U.S. Government determination or policy.

Personal-use and investment owners use Form 8949 and Schedule D (Form 1040) to report a lump-sum timber sale. Use Form 4797 (section 1231 gains) and Schedule D (Form 1040) to report the sale if sold under a pay-as-cut contract.

Under section 631(b), gains on 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) The gain is taxed at the lower capital gains tax rate rather than the ordinary income tax rate; (2) It is not subject to self-employment tax; and (3) When you have a net section 1231 loss, you can use it to offset your ordinary income. 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 2022, you sold the merchantable timber on a 100-acre timber property held in your business using a lump-sum contract. Because you had owned the timber for more than 1 year before the sale, the lump-sum timber income is a section 1231 gain and qualifies for long-term capital gains tax treatment.

Sale of Cut Timber

You may cut (or have it cut by someone) your timber (or timber held under a contractual right to cut) and sell the cut 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 should 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 you have it 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 (from #1 above), harvesting and processing costs, and selling expenses from the sale proceeds.

Example 4. You hired and directed 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, 2022, 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 long-term capital gains, 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 deduct timber depletion or allowable timber basis upon a sale, exchange, or other disposition of the timber. The adjusted basis is the remaining costs after those adjustments. Timber basis should not include the cost of your land.

Original basis depends on how you acquired the property. If the forestland was purchased, the original timber basis is the amount of your total acquisition costs allocated to the timber. If the property was inherited, timber basis generally is its FMV on the deceased person’s date of death. If the property was received as a gift, the basis is the donor’s basis plus the gift tax paid by the donor when the FMV of the property at the time of the gift is equal or greater than the donor’s adjusted basis.

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. To figure out the 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 x (\$20,000 / \$30,000)]. The basis for the land was \$11,000.

“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 x \$10/ton + 3,000 tons x \$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 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). Active business income (including timber sale income) is not subject to the NIIT.

Form 1099-S. After a lump-sum or a pay-as-cut standing timber sale, you should 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 [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). It is good practice to keep as part of 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 escrow 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.

You are generally better off taking the election when the time value of money is considered. 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. The QTP account should have zero balance immediately after the expensing and amortization are completed.

Deduct Operating Expenses and Carrying Charges

If you meet the qualifications to be considered a material participant in your forestry business, you generally can fully deduct ordinary and necessary expenses associated with carrying on the business against all sources of income. 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, firebreak 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 (not subject to the \$10,000 State and local tax deduction limit), per section 164(b)(6)(B). 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 produce income 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.

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.

Starting with the 2020 tax year, businesses are required to report nonemployee compensation on the new Form 1099-NEC for payments of \$600 or more. Examples of nonemployee service providers include consulting foresters, loggers, attorneys, accountants, and contractors.

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, or temporary road). 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.

Business taxpayers may immediately deduct up to \$1,080,000 for qualifying property in 2022, subject to phaseout and other limitations (section 179). 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.

Investors or businesses may take bonus depreciation for qualifying property. Bonus depreciation allows taxpayers to deduct 100 percent of the acquisition cost in the year placed in service. The amount of allowable bonus depreciation will be phased down from current 100 percent during 2023–2026 with no bonus depreciation allowed in 2027 and later years.

Claim Casualty Loss Deduction When Natural Disaster Hits

Timber loss caused by a sudden, unusual, and unexpected (casualty) event may be tax deductible. Casualty events may include hurricane, fire, earthquake, tornado, hail, flood, or ice storm.

For investment and business owners, the deductible casualty loss is the lesser of the adjusted basis of the property or the decrease in FMV due to the casualty. Therefore, 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. If your salvage sale results in a taxable gain, you may postpone taxes on the gain by claiming an involuntary conversion and electing to purchase qualifying replacement property.

Example 7. You own 200 acres of forestland (\$6,000 in adjusted timber basis) as investment. In 2022, the timber property was damaged by Hurricane Ian. A qualified professional assessed that the FMV of the timber block dropped from \$20,000 before the hurricane to \$2,000 after the disaster, an \$18,000 decrease. The amount of your casualty loss deduction is limited to the lesser of the adjusted basis and the FMV decrease, or \$6,000.

The casualty loss deduction for personal-use owners (including landscape trees) has been suspended through 2026, except for losses in federally declared disaster areas. Use Section A of Form 4684 and Schedule A (Form 1040) to claim the loss as casualty and theft loss (line 15).

Consider Excluding Qualified Cost-Sharing Payments

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

The excludable amount is the present value of the right to receive annual income of the greater of:

- 10 percent of the previous 3-year average annual income from the affected acreage or
- \$2.50 times the number of affected acres.

Currently, qualified programs for the section 126 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 add the related operating 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 deduct the qualifying reforestation expenses using the reforestation cost deduction rule mentioned earlier, or 2) exclude from your income the cost-sharing payment up to the excludable amount and recover the unreimbursed qualifying reforestation expenses. No simple rule exists as to whether you should exclude the income or elect to include it in your income. Taxes may be figured both ways to determine which option is more beneficial for you. 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 development or use. Under section 170(h), if you donate a qualified conservation easement to a qualified organization for qualified conservation purposes, it is 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

Effective January 1, 2018, like-kind exchanges apply only to real property held for productive 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. Please speak with your tax advisor about the applicability of a 1031 exchange before making a property 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 does include the ordinary income portion of revenue from selling things such as cut timber products, pine straw, living trees, products gathered or collected, such as 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.

For More Information

- National Timber Tax website: www.timbertax.org.
- Greene, J.L.; Siegel, W.C.; Hoover, W.L.; Koontz, M. 2013. Forest landowners' guide to the Federal income tax. Agriculture Handbook 731. <https://www.fs.usda.gov/research/treesearch/42921>
- Wang, L. 2012. Federal income tax on timber: a quick guide for woodland owners. <https://timbertax.org/2012QuickGuide.pdf>.

CAL FIRE NEWS RELEASE

California Department of Forestry and Fire Protection



CONTACT: CAL FIRE PIO
(916) 651-3473
Calfire.dutypio@fire.ca.gov

RELEASE DATE:
April 17, 2023

CAL FIRE Launches New Online Burn Permit Application, Streamlining Process for Residents, Landowners, and Prescribed Fire Practitioners

Sacramento – CAL FIRE has launched a new Online Burn Permit application platform that offers the public a user-friendly way to request a burn permit. Burn permits that are available on this platform include the following:

- Residential Burning (LE-62A) is burning outdoors at a single or two-family dwelling unit or residence using burn piles less than 4ft x 4ft. All residential burn permits expire on April 30 annually and a new permit must be applied for on May 1st.
- General Burning (LE-5) consists of agricultural burning, incinerator barrel burning in specific counties, burn piles, small parcels or strips, small plots of grass or weeds, or burn on vacant land. This permit is also used for a Hazardous Project work that could cause a fire (e.g., outdoor welding, grinding, metal work, hot work etc.).
- Broadcast Burning (LE-7/8) is controlled application of fire to the land for fuels reduction purposes (e.g., grasslands, shrublands, and oak woodlands). No pile burning!

The permits are for projects located within the [State Responsibility Area](#) and other jurisdictions where CAL FIRE has authority to require them. Users can now fill out the application form from anywhere they have internet access. The applicant will receive email confirmations throughout the process and the Department will have easy access to the records electronically.

Once the application is submitted, a CAL FIRE representative will review and process the information. If a site visit is required, the Department representative will schedule a time with the applicant and move the project forward. Even with a valid burn permit from CAL FIRE, residents **must** confirm that it is a permissive burn day with their local air quality management agency. The contact phone numbers will appear on the permit. For information and permits required outside CAL FIRE's jurisdiction, residents should contact their local fire authority.

“Burn permits are an important education tool for us to ensure Californians know the steps to burn safely”, said Acting State Fire Marshal Daniel Berlant, “This new online system will make it easier for not only residents, but also our prescribed fire community to get a permit.”

For more information on the online burn permit application, visit burnpermit.fire.ca.gov.

#

Ask a Forester Summer 2023

Historical Sites

Most forest landowners know by now that finding, recording and protecting archaeological sites is required when operating a Timber Harvest Plan or various exemptions by state law. Many people think that the law only applies to Native American sites, but in actuality, significant historical sites older than 45 years are also eligible for protection. Your forester has been trained to be able to test for significance and when to use help from CALFIRE archaeologists when in doubt.

Examples can be anything from historical cabins, lumber flumes, mining activity, bottle dumps and abandoned railroads and wagon roads. The forester preparing your plans must be trained as an archaeological surveyor to perform the survey necessary for approval by CALFIRE.

As a landowner, you should be observant when walking your lands to look for evidence of these sites as your knowledge of your property can be a huge help to your forester. Your neighbors may know of the historical events that have occurred on your land and should be sought out for their information.

Keeping a record of sites (or suspected sites) you have found will be invaluable for your forester and save money in the long run.

FLC Recognizes the California Forest Conservation Foundation

The California Forest Conservation Foundation (CFCF) was a generous sponsor at the FLC Annual Meeting in Ukiah, May 5-6, 2023. Their sponsorship helped offset such expenses as the facility rental, portables on the Field Day and the Field Day lunches. This sponsorship supports the net profit from the event, which FLC continues to invest in programs and services for landowners.

If you want to make a donation to CFCF, visit their website calforestconservation.org/. In addition, if you know of activities where CFCF might support or collaborate on, contact them at info@calforestconservation.org



We Appreciate the Generous Support of Our Contributors!

As of July 14, 2023

Sapphire (\$5,000+)

This space reserved for you.

Diamond (\$2,000 to \$4,999)

Dan Blencowe, Miller Baker LP

Platinum (\$1,000 to \$1,999)

Don Beaty

Carol Michener

Parker Ten Mile Ranch

Gold (\$500 to \$999)

Val & Kati Parik

Silver (\$200 to \$499)

Larry & Connie Camp

John Bennett

Bob Berlage

Peter Bradford

Nan Deniston

Fred Euphrat

Claudia Lima

Claire McAdams

Steve Miller

John Mills

Cathleen Schoeneide

Eric Smith-Mohrhardt

Gay Toroni

Martha Vertrees

Ted Wyman

Bronze (\$100 to \$199)

Ron & Martha Berryman

Dorothy Goodyear

Brian Hurt

Tom Jopson

Denise & Steven Levine

Tom & Jan Linville

Stephanie Mills

David Olson

Mike & Belinda Small

Larry Tunzi

Steven VanderHorst

Scott & Nora Vermilyea

Tom Amesbury

Gary & Jan Anderson

Tom Arens

Jim & Ginger Armstrong

Matt Babich

Jo Barrington

Contributors

Continued from page 11

Daniel & Cheryl Cohoon
Mary Coletti
Steven & Valerie Dowty
Kent Duysen
Deborah Elliot
Gene Goodyear
Sarah Goorjian
Walton & Barbara Haines
Peter Hanelt
Gard Hellenthal
Tim Holliday
Jerry Jensen
Walter Johansen
John & Cynthia Miles
Fred Nelson
Stephanie Rico
Bob Rutter
David Sanchez
Joe Smailes
Charli & Donna Stoneman
John & Laura Williams
John & Linda Wilson
Jeff & Kathleen Yee
Paul Young

Friends (Up to \$99)

James Able
Fran Belden
Jim & Lana Chapin
Nick Kent
Kelli Mathia
Sarah Oldson
Mark Potter

Calendar of Events

SEPTEMBER 16

FLC Field Day – Berryman Family Tree Farm – Ron and Martha Berryman (Weed, CA)

OCTOBER 21

FLC Field Day – Cedar Woods Tree Farm – Larry and Connie Camp (Nevada City, CA)

NOVEMBER 18

FLC Board of Directors Meeting – Via Zoom

Look for more details and registration information for the Field Day programs on the website, email and regular mail in the next couple of weeks.

President's Message

Continued from page 1

16 field day at the Ron Berryman Tree Farm near Weed, California and an October 21 field day at the Larry Camp Tree Farm near Nevada City, California, which was re-scheduled from last year due to weather. I look forward to seeing you at one or both of these events.

I hope you have a good summer.

Sincerely,

Don

Don Beaty, FLC President

Find the recap of the May 6 Annual Meeting Field Day on Page 5.

FLC Member Signs for Your Property

The Membership Committee continues to look at ways to promote FLC. In May, the committee identified something new – FLC member signs for your property.

The signs are 26" wide by 22" tall, and they are made of corrugated sustainable plastic. Posting this sign on your property provides greater awareness to the public of the forest stewardship practiced by FLC members. The cost per sign is \$15; and if you purchase six or more, there is a discount. To purchase signs, contact Deidre Bryant at the FLC office, deidreb@forestlandowners.org, or (877) 326-3778.



Help Spread the Word

The FLC Membership Committee has been working on ideas to help promote the benefits of being a member of Forest Landowners of California (FLC). One of their efforts is promotional flyers that could be used to market FLC to neighboring forest landowners or to post on the bulletin boards of local community centers or grocery stores.

There are two versions available. You may click on the links below to view each flyer. If you would like some color flyers sent to you, contact Deidre Bryant at the FLC office, (877) 326-3778 or deidreb@forestlandowners.org

Got Forest Flyer #1: <http://bit.ly/FLC-Got-Forest-1>

Got Forest Flyer #2: <http://bit.ly/FLC-Got-Forest-2>



Forest Landowners of California
is a proud sponsor of the
California Tree Farm Committee.