The Future of Southern Forests
Lies in Private Hands

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The Science

1. Sustaining Forests Across All Lands
   by Zoe Hoyle

Over half of U.S. forest land, some 421 million acres, is owned by individuals, the majority of whom are 55 or older. The decisions present-day owners and their heirs make over the next few decades will affect us all.

6. When All Things Are Not Equal
   by Zoe Hoyle

Forest land in the South is held in relatively small plots by a wide diversity of individuals, many with limited resources. For an all-lands approach to work, communication efforts need to be tailored to many different types of landowners.

11. Pastures of Plenty in Alabama

In Alabama, private landowners have started grazing cows and goats in their pine plantations to ensure income in times when timber markets are volatile and uncertain.

15. Forest Farming

In the South, people have gathered and marketed herbs, vines, and mushrooms from forests since long before the European settlement of America. Today these nontimber forest products hold great promise as an additional income source for private landowners.

On the cover: In the South, private forest land is held in relatively small plots by a wide diversity of individuals. (Image by Robert Pace, Allen Wayne, Ltd.)
22 THE FOREST INVENTORY AND ANALYSIS (FIA) PROGRAM
by Richard A. Harper

For today’s forest landowner, knowledge truly is power. Establishing that base of power depends on knowing where to find the most reliable information. One such source is the SRS FIA program.

24 THREATS LANDOWNERS FACE
by Teresa Jackson

Every year, southern forests face numerous environmental threats and stresses including insect pests, invasive plants, diseases, fire, drought, catastrophic storms, and climate change.

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You Can Use!

Tax Incentives Available to You as Private Forest Owners

by John Greene

The Federal tax code contains several provisions than can help you and other private forest owners keep your land in forest and practice good stewardship. Some are general business provisions available to all taxpayers who hold property or other assets to produce income, while others are specifically for forest owners. Among the most beneficial general provisions are:

- **Long-term capital gain treatment of qualifying income**—Income from the sale of timber that you have held for over 12 months can qualify as a “long-term capital gain.” The maximum capital gain tax rate for individuals is 15 percent, compared to 35 percent for ordinary income. Through the end of 2009, the tax rate is 0 percent for long-term capital gains which, when added to your ordinary income, fit under the ceiling for the 15-percent bracket for ordinary income ($67,900 for married taxpayers filing jointly in 2009).

- **Depletion deductions**—When you sell timber, you can also recover your investment in the trees sold by taking a depletion deduction. The deduction is equal to your basis (investment) in each unit of timber sold.

- **Annual deduction of management costs**—You can deduct “ordinary and necessary” forest management costs you incur each year. This doesn’t include reforestation costs—which have their own provisions—but does include such costs as a timber cruise, brush control, midrotation fertilization, timber stand improvement, or protecting your forest from fire, insects, or disease. For investors these costs are “miscellaneous itemized deductions,” which combined with other such expenses, are deductible only to the extent they exceed 2 percent of adjusted gross income.

The Federal income tax provisions specifically for forest owners are:

- **Reforestation incentives**—You can deduct outright up to $10,000 per year of qualifying reforestation costs and amortize any additional amount over 8 tax years. The reforestation tax credit has been eliminated.

- **Special treatment of qualifying government cost-share payments**—You can elect to exclude from your gross income a calculated part of payments from qualifying government cost-share programs. Payments under all of the Federal cost-share programs listed below, as well as some state programs, qualify for exclusion. Because of the way the excludable portion is calculated, it is likely you will be able to exclude the full amount of a cost-share payment if the treated area was harvested in the past 3 years, but only part of the payment if it was not harvested.

John Greene is a research forester with the SRS Forest Economics and Policy unit in Research Triangle Park, NC.

Recommended reading: