

FOREST STEWARDSHIP BRIEFINGS

Timber ♦ Wildlife ♦ Water Quality ♦ Soil Conservation ♦ Best Management Practices ♦ Recreation ♦ Aesthetics

2004 TAX LAW CHANGES

by Dr. Linda Wang, Tax Analyst/Economist, Texas Forest Service, College Station, TX

For more information:

- On Workshops in Longview (Feb. 2) and Lufkin (Feb. 3): Susie Shockley, Texas Forest Service, (936) 639-8180
- <http://www.house.gov/jct/x-41-04.pdf>
- <http://www.natptax.com/2004jobactsummary.pdf>

October 2004 brought a significant piece of federal legislation for timber landowners—the American Jobs Creation Act. Effective October 22, 2004, this Act modified the tax law dealing directly with timber in terms of capital gains taxes and reforestation expenditures.

Capital Gains Taxes

The 2004 Tax Act will allow capital gains treatment to lump-sum timber sales for timber business filers. Under the previous law, timber sales for business filers were subject to ordinary tax rates unless the sale was structured using a “pay-as-cut” method.

For landowners who hold timber for investment, capital gains treatment has always been available irrespective of timber sale methods. There is no change to this in the new 2004 Tax Act.

The capital gains treatment on lump-sum sales from timber business not only affords the landowners the lower tax rate, but also saves landowners additional taxes in terms of self-employment taxes. This is because capital gains are not subject to self-employment taxes while ordinary income is.

Example: *A taxpayer, married filing joint return, has regular income of \$50,000 in 2004.*

Regular Income	\$50,000
Standard Deduction	-\$9,700
Personal Exemption	-\$6,200
Regular Taxable Income	\$34,100
Timber Income	\$5,000
Old Taxes:	\$5,150
New Taxes:	\$4,650
Tax Savings:	\$500

The \$500 tax savings provided by the new law comes from the fact that the \$5,000 timber sale will be taxed at 5% long-term capital gains rate under the new law, rather than a 15% ordinary income tax rate under the old law.

The new capital gains provision applies beginning in the 2005 taxable year. Timber sales prior to December 31, 2004 are still subject to the previous tax law.

Reforestation Cost Deduction

The reforestation provision is a substantial change from the previous tax law. Previously, expenditures over the first \$10,000 could not be deducted until the time of the timber sale. The new law removes this restriction by allowing ALL expenditures in excess of \$10,000 deducted over a short period (84 months) immediately after reforestation. This new provision greatly accelerates the reforestation deduction. The 10% investment tax credit is eliminated by the new law.

Example: *A taxpayer, married filing joint return, has a regular income of \$50,000, using same deduction and exemption as above, with tentative taxable income of \$34,100.*

Reforestation Expenditure	\$20,000
Old Taxes:	\$3,763
New Taxes:	\$3,258
Tax Savings:	\$505

The new law provides a \$10,000 write-off plus a \$714 deduction (which is (20,000-10,000)/7x12) in the year of reforestation.

Reforestation expenditures incurred prior to October 22, 2004 are still subject to the previous law.

INSIDE THIS ISSUE:

Human Influences on Forests

What is a Sonderegger?

Those Water Thieving Junipers!

When Good Ladybugs Go Bad

Property Tax Workshops

HUMAN INFLUENCES ON FORESTS

by Peter J. Roussopoulos,
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For more information:

- www.interfacesouth.usda.gov/assessment/view.html
- <http://www.interfacesouth.usda.gov/>

In 1998, Florida wildfires demonstrated the complexities of natural resource management in the wildland-urban interface. Shortly after these fires, the Chief of the USDA Forest Service identified the wildland-urban interface as one of the main challenges for the Forest Service in the South.

While many studies have addressed various interface issues, few have been conducted with an interdisciplinary perspective in the South. As the Southern Wildland-Urban Interface Assessment demonstrates, the South is facing dramatic change.

The Southern Wildland-Urban Interface Council, an interagency team with representatives from the Forest Service; Southern Group of State Foresters; universities; the Cooperative Extension Service; Southern Region; and nonprofit organizations, provided direction for the Assessment. Council members were principal advisors and planners for this project and identified key interface issues, which

were then refined and validated by a series of focus groups in six Southern states.

This Assessment is closely linked to the Southern Forest Resource Assessment (SFRA), which has comprehensively examined challenges to forest sustainability in the South. The focus here is specifically on urbanization, changing land use patterns and issues related to the wildland-urban interface.

A comprehensive wildland-urban interface literature database and other supporting resources can be found on the Web site, Interface South (www.interfacesouth.usda.gov). Issues in the wildland-urban interface are too complex to be bound to a single topic or perspective. Furthermore, this Assessment was not meant to cover every possible issue related to the wildland-urban interface; space and other limitations made this impossible. Rather, the goal has been to start a dialogue that will lead toward a more complete understanding of interface issues, challenges, and needs for the Southern United States.

WHAT IS A SONDEREGGER?

A Sonderegger is a hybrid pine with a longleaf pine being the cone parent and a loblolly pine being the pollen parent. In appearance and known silvicultural characteristics they are midway between longleaf and loblolly. The pure longleaf needles emerge close to the ground while the pure loblolly needles emerge from a stem some distance above the ground.

The Sonderegger is somewhere in between. In a longleaf nursery Sonderegger can be identified because they stand much taller than longleaf seedlings since they do not have a grass stage. Longleaf nurseries normally have about 1% hybrid seed but some have as much as 33% hybrid seed.

Longleaf has a white bud. The striped brown bud of a Sonderegger is distinctive.

Sonderegger saplings have needles greater than 9 inches long. Loblolly needles are consistently less than 9 inches.

Not having a grass stage may give them a competitive advantage in planting situations where the ground cover is bahia or burmuda pastures. Lacking a grass stage probably results in a competitive disadvantage in fire resistance. Older hybrids seem to have a fire resistance between loblolly and longleaf. Their bark is not as thick as longleaf bark.

Logic indicates that Sonderegger would do better than loblolly on drier loblolly sites. Longleaf would do better on sites that are burned or have deep dry sands. The Sonderegger taproot is not as long as longleaf but is much longer than on loblolly.

by Dick Pike, Liaison to the National Forests in Texas, Texas Parks & Wildlife Dept., Lufkin, TX

For more information:

- <http://forestry.about.com/library/silvics/blsilpinpal.htm>
- <http://forestry.about.com/library/silvics/blsilpintae.htm>

THOSE WATER-THIEVING JUNIPERS!

Edwards Plateau municipalities in heavily infested juniper country lose much of their annual rainfall before it ever hits the ground, according to two Texas A&M University scientists.

“Thick stands of mature juniper (commonly called cedar trees) can actually intercept 40% of an area’s natural rainfall,” said Dr. Keith Owens, Texas Agricultural Experiment Station range researcher at Uvalde. “The percentage lost increases dramatically if the rainfall is light.”

Owens and colleague Dr. Robert Lyons, Texas Cooperative Extension range specialist at Uvalde, spent three years studying the evaporation and interception water loss from juniper trees across the Edwards Aquifer Recharge area.

“We found that all the rainfall from storms of 0.3 inch or less is intercepted by the trees/canopies where it evaporates back into the atmosphere. Moisture from these light rains never even reaches the ground once it falls on the tree. Most of the rains over the Edwards Aquifer recharge area are a half-inch or less.

“This project proves what many have long suspected - too much juniper extracts a heavy toll on the Texas water supply.”

The project was conducted at 10 locations in eight counties - Bexar, Blanco, Comal, Hays, Kendall, Kerr, Medina and Uvalde counties.

“At the end of the three-year study, we averaged all of the 2,700 total rain events, both heavy and light, that fell over the 10 sites. We found that 35% of all the precipitation that falls on juniper trees hits the canopy and evaporates, 5% is intercepted by the litter beneath the trees and 60% actually reaches the ground surface. Of that 60%, much is taken up by the tree for growth which leaves little or not water left for aquifer recharge in the heavier juniper-infested areas.

“This research shows that in an area which receives 30 inches of rain in a year, only 18 inches of that total actually reaches the ground surface under a juniper tree. That means 12 inches of rain a year does not reach the ground for either plant growth or potential aquifer recharge.”

by Steve Byrns, Assistant Professor and Extension Communications Specialist, Texas A&M Agricultural Research and Extension Center, San Angelo, TX

For more information:

- <http://agnews.tamu.edu/dailynews/stories/RNEC/Oct2004a.htm>
- Dr Keith Owens, (830) 278-9151 ext. 128, m-owens@tamu.edu
- Dr. Robert Lyons, (830) 278-9151, rk-lyons@tamu.edu
- <http://uvalde.tamu.edu/intercept>

WHEN GOOD LADYBUGS GO BAD

"During the summer the multicolored Asian lady beetle is a beneficial insect that eats aphids and other pests of pecan trees, roses, crape myrtles and other shrubs," says Dr. Allen Knutson, Dallas-based Extension entomologist. "They also feed on aphids in cotton and other field crops."

But this beetle has a dark side, too. This kind of lady beetle is native to China, where it usually seeks out protective, rocky cliff-sides to spend the winter. In Texas these same beetles are often drawn to houses as substitutes for their natural overwintering sites. Native species of ladybug prefer to hibernate outside in sheltered spots such as garden mulch or leaf piles.

Neither Asian nor native lady beetles are harmful to humans. Inside the home in large numbers, however, the Asian beetles can stain draperies and clothing through a defensive behavior called "reflex bleeding." "When they're disturbed, small droplets of blood are released at the leg joints, which apparently defends the beetles against attackers," Knutson said. "Any rough handling of the beetles triggers this defense mechanism."

As for outside and attic-confined beetles, the problem will eventually just "fly away" as temperatures warm in the spring. To avoid a lady beetle invasion, caulk around windows and doors, and seal all exterior gaps and openings.

adapted from a news release by Robert Burns, Extension Communications Specialist, Texas A&M University Agricultural Research and Extension Center, Overton, TX

For more information:

- http://citybugs.tamu.edu/InTheNews_Details.asp?ID_Key=413
- <http://ipm.osu.edu/lady/lady.htm>

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PROPERTY TAX WORKSHOPS

Valued at \$2.2 billion in 2003, East Texas timberland is a significant tax base for many counties and schools. Dramatic valuation fluctuation, however, resulted in legislative changes to the timberland appraisal, effective January 1, 2004.

The Texas Forest Service is holding educational workshops to help property owners and tax appraisers understand timberland tax appraisal and the latest tax law changes. THESE WORKSHOPS ARE NOT THE SAME AS THE INCOME TAX WORKSHOPS mentioned in the "For more information" column on page 1 of this newsletter.

Texas Timberland Property Tax Workshops will be held in Longview (Feb. 9), Livingston (Feb. 10) and Lufkin (Feb. 18), 9:00 am-noon. There is a registration fee of \$40 per person.

Continuing Education Credits are available for foresters, tax appraisers and loggers for attending these workshops.

For a registration form, go to <http://texasforestsERVICE.tamu.edu/pdf/forest/economics/pworkshop0205.pdf>; or contact Monica Jadowski, Texas Forest Service, at (979) 458-6630 or mjadowski@tfs.tamu.edu.



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