The Future of Maryland’s Forests

As Maryland’s private woodland owners look to the future, there are many challenges and opportunities posed by human factors and nature alike. At present, the largest threat to Maryland’s forests is human population growth and the development that accompanies it.

Between 1985 and 1990, the total amount of developed land in Maryland increased by 19 percent, with forest and agricultural lands being converted to low density, residential developments. Much of this development occurred in rural areas on the fringes of the Baltimore-Washington corridor.

Approximately 71,000 acres of forested land was lost to development; an additional 335,000 acres is predicted to be lost by 2020. At that time, 25% of the total land area of Maryland will be developed. If the state’s remaining forests are to meet the demands for wildlife habitat, forest products, recreation and other uses, they must be managed by their owners with sound practices that ensure future stewardship.

Laws and Regulations

Environmental regulations will continue to have an impact on the property rights of private woodland owners. Surveys indicate that most landowners agree that protecting their forests and the environment as a whole is important. However, while regulations involving endangered species, wetlands, logging practices and water quality are important for protecting the environment, they do affect how landowners can manage their property.

Perhaps the greatest challenge facing government lawmakers is making environmental regulations that protect the forest resource but still make it possible for landowners to produce adequate income from their land. For woodland owners, the challenge is to make every woodlot a testament to good forest stewardship practices and to become more proactive in making lawmakers and the public aware of their responsible actions.

Laws regulating income, property and estate taxes also affect the future of privately owned forested lands. Many woodland owners take advantage of tax assessment programs that allow forested land to be appraised for agricultural use, lowering their property tax and making it more affordable to maintain the land as forest. However, rising land values affect estate taxes as well as property taxes. Lack of estate planning may require heirs to sell woodlands in order to pay the estate tax. Responsible forest stewardship requires not only looking at the present tax implications but also planning for the future disposition of the property.

Forest Health

Protecting and improving the health of Maryland’s forests from insects, disease and deer is becoming a major problem. The best known insect pest is the gypsy moth which has seriously defoliated more than one-half million acres of forest since 1982. It is now moving into Southern Maryland and the Eastern shore. The southern pine beetle is also actively killing thousands of acres of forest. Diseases like the famous American chestnut blight, Dutch elm disease and dogwood anthracnose have already...
permanently changed the composition of Maryland’s forests. Overpopulation of deer are removing understory vegetation that is having major impacts on forest composition and regeneration. This issue will be addressed in the next issue of Branching Out.

With the increased freedom of international trade, new insects and diseases may join those mentioned above. For example, there is now an Asian variety of gypsy moth threatening America’s forests. Protecting forests from diseases and pests requires woodland owners to regularly monitor the health of their forest and seek professional assistance to implement management practices that deal with problems proactively — before there is a crisis.

The goal of Branching Out is to provide the 125,000 private woodland owners in the state with the knowledge necessary to make sound management decisions.

A Taxing Year

Each January, many woodland owners prepare to do their income taxes. Unfortunately, when it comes to dealing with income and expenses related to the management of woodland, many landowners are searching for answers. Some look to accountants for answers but are disappointed to find a lack of expertise in this area. In fact, woodland owners may need to find the resources to help themselves and their accountants answer such questions as: Is income from timber harvest treated as ordinary income or capital gains? How do I determine the basis for income tax purposes? Is cost-share assistance treated as income? Can expenses for reforestation, thinning and management be deducted? What is the difference between being an “active” and “passive” woodland manager.

Timber Sale Taxes

For most woodland owners, the sale of timber is a unique activity that may involve thousands of dollars and have a significant tax impact. Perhaps the greatest concern to most landowners is whether or not timber sale income is considered capital gains or ordinary income.

Timber sale income qualifying for capital gains treatment results in less tax for two reasons. First, the maximum tax rate on capital gains for most taxpayers is 28 percent while ordinary income may be taxed at a higher rate. In addition, capital gains is not subject to self-employment tax.

Since most woodland owners have held land for more than one year and it is not used directly in their principal business, timber sale income qualifies as a capital asset. Most expenses associated with timber sales can also be deducted.

Useful Resources

As with all tax questions, each person’s situation differs and requires consideration. While it is impossible to address the many tax questions in this article, you may wish to ask for a list of income tax resources that is described in the “New Resources” section. Three very useful publications from that list are:

- **Timber Tax Treatment for Tree Farmers.** This up-to-date handbook gives easy-to-understand explanations and required forms. Available for $20 from the American Forest Council, 1250 Connecticut Avenue, NW, Suite 320, Washington, D.C. 20036


- **Reforestation and Timber Stand Improvement Tax Deduction Fact Sheet.** Owners of 10-500 acres of forestland may deduct double the cost of reforestation and timber stand improvement from their Maryland Income Tax. Copy available from Cooperative Extension Service Offices or county foresters.
Harvesting Logs with Horses

If you were to visit the Morgan Lumber Company in Orbisonia, Pennsylvania, you might notice some things not normally found at a logging business or sawmill: three large draft horses. These animals, each weighing about 1,500 pounds, are employees of the lumber company. Their job is to remove logs from a woodlot with as little impact on the surrounding forest as possible. With the help of a few people, including Ray Morgan, these horses are doing a good job. Morgan and his family have been using horses for logging for many years, along with modern logging equipment - skidders, loaders, etc.

One of the many advantages to logging with horses is low environmental impact. According to Morgan, “When using horses, there is little damage to the trees not marked for cutting”. There is no need for road construction or large decking areas to accommodate heavy equipment. When the logging job is finished, the trails left by the horses are usually small and recover quickly.

“There are some negatives to horse logging. Obviously, it is slower than mechanized logging. A team of three horses can harvest about 4,500 board feet of wood per day while a single skidder can harvest 7,500 board feet per day. Additionally, the horses need constant care. There has to be a place to board them and they must be fed, watered and cared for every day. Further, horse logging requires teamwork, experience and skill so that the sawyer fells the trees in such a way that the person working with the horses can efficiently remove the logs.

Overall, logging with horses has many applications for the private woodland owner. Harry Staley, a consultant forester who has marked many of the sales harvested by Morgan says, “Many landowners who wish to harvest timber on their property find it difficult to interest a commercial timber harvester if their timber stand is small, the slope too steep or the soil too wet. In these cases, it may be profitable for a horse logger to harvest these tracts. Landowners who wish to harvest select trees on their property with minimal impact on the surrounding forest also should consider contacting a logger who uses horses.”

While logging with horses will never replace the use of modern equipment, it is a harvesting option that is likely to become more popular.

Walnut Council Chapter Started

On January 15, an organizational meeting of the Maryland Chapter of the Walnut Council was held. The Walnut Council is a nation-wide non-profit organization made up of landowners, foresters, researchers and industry people interested in the management and utilization of walnut products. The meeting was held to decide on bylaws, officers and dues, and to determine what activities people are most interested in. This is an opportunity to promote good management among people with similar interests. For more information contact: Philip Pannill, 17323 Bakersville Road, Boonsboro, MD 21713. (301)739-7743.

Stewardship Incentive Program (SIP) Update

After two years, the Maryland Stewardship Incentive Program has provided $168,007 in cost-share funds to Maryland’s forest stewards to implement a wide range of stewardship practices. More information on SIP, contact your local forester.
Take Note... New Resources

Enhancing Wildlife Habitats: A Practical Guide for Forest Landowners, NRAES-64. This comprehensive guide is designed specifically for private, non-industrial landowners. In straightforward style, it outlines strategies for developing a well-focused plan to encourage and manage wildlife on any size woodlot. It contains chapters on basic forest wildlife ecology and habitats and specific forest wildlife, as well as review questions and field exercises. Complete with appendix, glossary and references. This 172-page publication developed by Extension forest and wildlife specialists is well worth the $20.00. Send check made out NRAES to: Northeast Regional Agricultural Engineering Service (NRAES), Cooperative Extension, 152 Riley-Robb Hall, Ithaca, NY 14853-5701 or call (607)255-7654.

Keeping It in the Family - Estate Planning Resource List. Provides useful publications and video resources to aid you in developing an estate plan. Available free of charge from your local county Cooperative Extension Service office.

Timber Tax Resource List for Woodland Owners. Provides descriptions and ordering information on the most current tax resources. Available free of charge from your county Cooperative Extension Service office.

National Woodland Owners Association (NWOA). This nationwide organization of non-industrial private woodland owners seeks to promote non-industrial forestry and the best interests of woodland owners. NWOA is independent of the forest products industry and forestry agencies. $15 dues include quarterly magazine and 8 issues of Woodland Report with late-breaking news from Washington. For more information contact: NWOA, 374 Maple Avenue, Suite 210, Vienna, VA 22180. (703)255-2700.

Maryland State Nursery. Order your seedlings now for the spring planting season by calling 1-800-873-3763.

Upcoming Stewardship Events...

FEBRUARY 22 through MAY 25 Enterprising Opportunities for Extra Income. Different income opportunities related to natural resources offered as evening classes at Westminster through April 5, from April 13 to May 25 in Hagerstown. Topics include shiitake mushrooms, bed 'n breakfast, home-based businesses, aquaculture and more. For more information call Carroll County Cooperative Extension office, (410) 848-4611 or Washington County Cooperative Extension office, (301) 791-1304.

APRIL 1 DNR Forestry/Conservation and Natural Resources Week. Deadline for applications from students for the July 24-30 program. Call your local forester for more details.

MID APRIL Income Opportunities Utilizing Your Natural Resources. This annual workshop covers financial, business and marketing concerns and has workshops on specific enterprises. For more information contact the Allegany County Extension office, 701 Kelly Road, Suite 143, Cumberland, MD 21502, or call (301) 724-3320.

MAY 1 Youth Natural Resources Camp. Deadline for applications for the weeklong summer camp. Contact your local Maryland Cooperative Extension Service 4-H agent for more details.

MAY 1 State 4-H Forestry and Wildlife Judging Contest. Two separate judging events are a challenge to youth of all ages. For more information contact your county Cooperative Extension Service office.

MAY Ecosystem Management Seminar. Speakers will present different viewpoints on this new approach to land management. For more information call (410) 974-3776.

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