

*Inside Highlights:*

Tax Time	2
Timber Markets Hot or Not	2
Who We Are	2
NRG Featured Real Estate Listings	3

## Quarterly Management Calendar

### January:

- Enjoy the last of deer season
- Planting season begins
- 1099's from timber sales, land sales and hunting leases should be received
- Winter is an excellent time to have boundaries repainted

### February:

- Planting season continues
- Don't forget Valentine's Day (learned from experience)

### March:

- Only a few, if any, tracts should be left to plant
- Corporate returns due by March 15th
- Start working on that tan

## Notification or Permission?

In December 2014 Lawrence County, AL passed an ordinance that in effect requires county permission to use county roads for timber harvesting. Over the past several years other counties across the southeast have done the same. The underlying intent has been to address two issues:

1. Safety – large trucks hauling timber have the potential to create large safety issues. The most common occur in the winter when trucks leaving the woods can drag a lot of mud onto roads. Trucks and trailers parked on the sides of roads can be extremely dangerous as well.
2. Damage – large trucks hauling timber weigh a lot; up to 80,000 pounds or more. If a road or bridge has not been constructed properly, or was not designed to carry that much weight, costly damage can occur.

Counties already have the authority to shut down traffic if it damages public property or creates a safety hazard. Increasingly though, counties contend that they need to know in advance when logging is going to begin, where the traffic will enter county roads, and which roads will be used for hauling, so that they can make sure new access points do not pose a safety or damage risk, and inspect road condition prior to traffic beginning. Some counties have passed ordinances that require this notification. A few have passed ordinances that go beyond simple notification and required combinations of permits, fees, bonds and even requirements on harvesting.

As a rule, most private landowners in the southeast are staunch advocates for the protection of private property rights, and are by nature suspicious of attempts to regulate activity on private land. At the same time, most would agree that if you are going to hire county employees to build and take care of your roads, it's reasonable to let them know where to focus their attention.

To help narrow what was becoming a widening gap between the forestry community and county regulators, in 2010 the Alabama Forestry Association helped develop a solution that made a clear distinction between a notice and a permit. A notice is notification that a legal act is about to occur. A permit is permission to perform an act that without the permit is illegal. Since it should not be necessary to obtain county permission to perform a lawful act (in this case a timber harvest), a bill was drafted that in effect said that if a county chose to adopt an ordinance, it could only require notification. In 2012, the bill became law.

In our opinion the Lawrence County ordinance exceeded the scope of the State law, so on January 9, 2015 over thirty landowners, foresters, loggers, mill representatives and staff from the Alabama Forestry Association in Montgomery attended the commissioner's board meeting in Moulton to ask them to delay its implementation. The Commissioners agreed and will be sitting down with the forestry community to hopefully resolve the discrepancies. If you would like to call the board members to thank them for working with you, we have their contact information.

Each year one person uses wood and paper products equivalent to a 100 foot tree 18 inches in diameter. – NC State University

## Timber Markets

### Hot or Not?

#### Pine pulpwood (MAYBE)

Seasonal strengthening, but stumpage prices are still relatively low. If you have to sell, now is the best time to take advantage of price increases. Otherwise, let it grow.

#### Hardwood pulpwood (MAYBE)

Also seeing seasonal increases, perhaps more than for pine. If you have hardwood pulpwood that can be harvested in the winter and need to sell sooner rather than later, consider a sale.

#### Pine sawtimber (NOT)

Still below what we consider “green light” conditions. The snail slipped a little.

#### Hardwood sawtimber (HOT)

Continues to be the hot commodity. White oak is the favorite; red oak has softened a bit but is still good. Tighter mill inventories and high prices across the board for hardwood sawtimber are still letting us strongly recommend selling.

## Tax Time

With the passing of Christmas (for those we didn’t see – Merry Christmas) and New Year’s, (and Happy New Year’s too) it can only mean one thing... Tax Time! (Condolences). Here are the three most common discussions we have with clients regarding taxes.

1. **Capital Gains** - One of the biggest advantages of the timber investment is that sales (of timber and/or land that you have owned for more than a year) are taxed by the IRS on the capital gain. This capital gain tax rate is currently either 15% or 20% depending upon your ordinary income. Simply put, the “gain” is the difference between the value of the timber and/or land when you acquired it (by purchase, gift or inheritance), and the value when you sold it.

*Your original value is referred to as your basis, and is the one thing landowners typically forget to document when they acquire property. (Look for an upcoming newsletter that gives some helpful tips regarding recordkeeping. If you need help with basis now, give us a call.)*

2. **Planting** - Reforestation costs for timber stands can be deducted or amortized. (They can be capitalized too, but not many private non-industrial landowners do). In practice, here’s what it usually means: A landowner can deduct up to \$10,000 of reforestation costs per year for each qualified timber property. Amounts over \$10,000 are amortized, and deducted over 84 months.

3. **Normal Expenses** - Expenses for ordinary timber management can be deducted in the year they occur.

*Timing of #2 and #3 can be significant. For example, sometimes it is possible to perform reforestation activities over two years, thereby doubling the deduction. It is also possible to do some site work after planting and expense the activity as necessary timber management instead of having to amortize it. The tax advantages have to be weighed against the impact to the return on investment, so the answer as to what is best is always “it depends”.*

As you can imagine, there are reams of details and specifics regarding these taxes. We are not tax professionals, but we commonly work with our clients’ accountants to craft the best over-all strategy. If you are looking for tax professionals who understand the timberland investment, we can recommend several for you to consider. There is also a very good website that has useful tax information: [www.timbertax.org](http://www.timbertax.org).

## Who We Are...*We don't usually talk about us, but for those who have asked, here's our management team:*



**Stephan R. Tomlinson, R.F.**  
Senior Consultant / Growing Assets, LLC.  
Broker – Natural Resources Group, Inc. (NRG)  
1985 Auburn University – Forest Engineering  
Executive Committee – AL Forestry Association



**Justin M. Tapp, R.F.**  
V.P. Operations / Growing Assets, LLC.  
Real estate agent – NRG, Inc.  
2004 MS State – Forest Management



**Matt Thrasher**  
Forestry Technician / Growing Assets, LLC.  
2009 NEMCC - Forestry Technology



**Cheri Barnes**  
Office Administration –  
Growing Assets, LLC. & NRG, Inc.  
Real estate agent – NRG, Inc.

## How to carve a tree for Valentine's

To show our sensitive side, here are some tips on how to carve a tree for Valentine's Day.

- ♥ Make sure you really, really like this person -
- ♥ Find a tree – Beech trees are ideal as they have thin, soft bark. They are also notoriously hollow so you don't have to worry about hurting a perfectly good tree.
- ♥ Get a knife – if you don't have one, get help.
- ♥ Prepare in advance – white out doesn't work on trees.
- ♥ Keep it simple - Hearts with initials are the classic norm; dates are always good
- ♥ Avoid full names – (in case you overlooked the first tip)



## Featured Real Estate Listings

See more of our listings at [www.naturalrg.com](http://www.naturalrg.com)



FOW07 – Tippah County, Mississippi  
42.10 acres - \$945 / acre

Productive soils for potential farming or timber production  
Plenty of areas for food plots or construction  
Refreshing creek for wildlife



OLC01 – Perry County, Tennessee  
244 acres - \$890 / acre

Excellent hunting opportunity w/  
great interior network of roads  
3 year old loblolly pine plantation



NRG103 – Prentiss County, Mississippi  
672 acres - \$1,445 / acre

2 hunting cabins w/ power & water  
Established food plots w/ plenty of deer & turkey  
Beautiful long-range hilltop views - merchantable timber  
Great access and interior road/trail system



SRT208 – Hardin County, Tennessee  
286 acres - \$1,095 / acre

Abundant hunting and investment opportunities  
10 minutes from nearest boat ramp on Pickwick Lake  
Great panoramic views  
Broker / Co-Owner

**GOT LAND?** We probably have a Buyer. Got young pine? We probably have lots of buyers.



## GROWING ASSETS™

112 South Main - Suite 201

Tuscumbia, AL 35674

256-383-8990

[www.GrowingAssetsLLC.com](http://www.GrowingAssetsLLC.com)

***WE WANT TO KEEP YOU  
INFORMED!***

If your address changes give us a call or email us at [info@naturalrg.com](mailto:info@naturalrg.com) and we'll update our records.

### Who We Are

**Growing Assets, LLC** does just that. Your timberland is one of the best investments out there. We manage that investment to make it even better. If it needs to be done we do it. [www.growingassetsllc.com](http://www.growingassetsllc.com)

**Natural Resources Group, Inc.** specializes in timberland real estate. We not only represent Sellers as their agent, but we just as often represent Buyers who are looking for timberland to purchase. Being foresters as well as real estate professionals, we are uniquely qualified to see the forest investment in the trees. [www.naturalrg.com](http://www.naturalrg.com)

### Planting

If you've noticed large vans pulling dirty trailers, with at least one portable "facility" (i.e. porta potty) strapped to its bed, it's a sure indication that it's tree planting season.

Seedlings are grown in nurseries for a year, then pulled up, packaged in boxes and sent out to be planted. The planting is typically done by hand and in the winter when the seedlings are dormant. Almost all is done by vendors who hire Latin American workers, each here legally on seasonal H2B Visas. Over the years we have learned which companies do the best work, and contract with them.

The key to a successful planting is to

- minimize stress to the young seedlings
- get complete coverage of all acres being planted
- make sure the seedlings are planted correctly

We have found that the only way to make sure this is done is to have one of our foresters on site for every planting job. Even a good vendor needs constant supervision. After planting it is essential to use GPS equipment and accurately map the boundaries of the planting job. This helps make sure that billings are accurate and creates a permanent map of the timber stand that can be used for future management. One example easily shows how important these maps are. It is common to spray chemicals over the top of young pines to control hardwood competition and the application is usually done by helicopters. When we contract with vendors to spray our client's young pine, all that has to be done is to hand the

pilot the electronic map, the pilot downloads it into his onboard computer, and the release of chemicals is controlled precisely by the computer to target just what was planted. Without the file, the pilot is guessing where the pines were planted based on hand drawn lines on a topo map. That's just not good enough anymore.