



WOODLOT WISDOM

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Estate Tax and the Future of Your Tree Farm

By: Mellissa Moeller

Standing amid your forestland, a thousand acre Tree Farm seems worlds away from the politics in our nation's capital. Yet many family forest owners come face-to-face with a very political issue when they receive an invoice from the Internal Revenue Service for \$1.8 million in estate taxes.

In the 1960s, Tom White* started buying land in southwest Oregon. Bit by bit, acre by acre, he poured all his savings into the land. Tom particularly focused on rehabilitating forestland that had been mismanaged and cut over by the previous tenants. By the mid-2000s, the White Tree Farm had grown to nearly 1000 acres. Tom's only child, Rich*, was a full partner in the Tree Farm and was poised to carry on his father's legacy.

Despite extensive estate planning, when Tom passed away in 2005, Rich was shocked when he received the invoice for \$1.8 million in estate taxes due. Tom was "land rich and cash poor," virtually his entire estate was tied up in the value of the land and his equipment, not in stocks and bonds. Facing this bill due in 6 months, Rich and his family needed to make a difficult and risky decision: either develop anywhere from 300 to 500 acres, clear cut the land at firesale prices, or cash out Rich's entire retirement savings fund to pay the tax.

After much deliberation, the Whites chose to cash out Rich's retirement plan. They just couldn't bear to see White Tree Farm decimated or subdivided. While it felt like the right decision, the Whites are fully aware of the giant risk they chose—Rich is past 50 himself and has just a little over 10 years to rebuild his nest egg. With the collapse of the housing and timber markets,

Rich's income is down and now he worries that he won't be able to rebuild his nest egg.

Unfortunately, we don't often find families like the Whites. Many families, when faced with a large estate tax bill and few options, feel pressed to sell off their land or prematurely harvest timber to pay the tax. If a family has no other available assets than their forestland, they are left with no other way to pay the tax. The estate tax burden is one that many families cannot afford, making it a major threat to the future of America's family forests.

ATFS is your voice in Washington, D.C., working to get Congress to fix the estate tax—and fix it for good—so that family forest owners will not be forced to make the tough decision the Whites did. Tree Farm families in the future should have the flexibility to decide what's best for their land without the pressure of a large estate tax bill.

In 2010, Congress passed a temporary fix that works for many family forest owners, but the temporary fix will expire at the end of 2012. We need your help in the ATFS campaign to fix the estate tax! Please visit www.familyforestation.org to share your estate tax concerns and stories and get tools to advocate for a permanent fix to the estate tax.

**The Family name and location have been changed to protect the identity of the Tree Farmers. However, this is the story of a real Tree Farm family.*



Why Plant Pine?

By: Wayne K. Clatterbuck, University of Tennessee Forestry, Wildlife and Fisheries

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"Although Tennessee is known for our hardwoods, many landowners continually ask questions about growing pines. The University of Tennessee Extension developed a publication titled, "A Southern Pine Management Guide for Tennessee Landowners". It can be viewed at: <https://utextension.tennessee.edu/publications/Documents/PB1751.pdf> or hard copies can be ordered through your local County Extension Office. Refer to publication PB1751. A brief sample of the publication follows."

Outlined below are a few factors illustrating why planting pine is an attractive alternative for forestation.

1. **Site Quality** – Most pines occur on marginal sites that are better suited for pine (both ecologically and economically) than hardwood. These sites are often low in nutrients required for hardwood growth or agricultural crops. Hardwoods are more site-demanding than pines. Although various hardwoods will survive on these sites, they are not as prosperous, will not grow as fast and will not produce the "quality" hardwood sawtimber that brings the most income. Hardwoods are more sensitive to weather fluctuations, particularly the late summer droughts that frequently occur on these shallow, dry soils. Pine will produce a product on these marginal soils in a shorter time period than hardwoods. On low-productivity upland sites, those of shallow soils and south- to west-facing slopes, favoring pine over low-quality hardwood species should be considered.

Pines will grow on the better sites too, but the cost of establishment and control of hardwood competition can be



Liability Insurance Protects From Lawsuits

By: Ed Wilson, Outdoor Underwriters*

Formalized hunting clubs and land leases are very common throughout Tennessee. As private landowners continue to promote hunting leases and our society remains litigious, both landowners and hunters need to consider their legal liability. These concerns are valid as both landowners and hunters assume some degree of legal risk.

Over the past 10 years, liability insurance has become a Standard hunting lease requirement. In many cases, private and corporate landowners actually require liability insurance before the hunting lease is finalized.

Although frequently required, this insurance is often misunderstood. Simply stated, liability insurance is designed to provide coverage for hunting clubs and their members for acts which they could be held legally responsible. The main misconception with hunting liability insurance is the basic intent of liability. This type of insurance coverage is not for accidents that necessarily occur to you - it is designed to protect you from accidents that harmed someone else and you might be held responsible for that injury. (A simple guideline is: can you be sued by someone for that person's injury?)

Liability is based on common law or negligence. Common law looks at it as: You have a responsibility, you failed in that responsibility, and that caused a person to be injured or harmed. If an injury occurs to you because of your own actions, a liability policy is not the appropriate coverage for this kind of accident. (You can't sue yourself)

If you want coverage for your own accidents, you may want to consider an accident policy for your members.

The driving force for hunting liability insurance is landowners who are concerned about their responsibility for liability from a hunting club leasing their property. It has been a standard corporate practice for landowners to require liability insurance for anyone that is working on their property (consultant foresters, logging contractors, or other contractors). Hunting club liability is an extension of this coverage technique.

The landowner wants to cover their liability from the hunting club leasing the property. This coverage would respond for accidents caused by you to another person (a third party). As a named insured the hunting club will also have liability protection for accidents caused to a third party.

What is a General Liability Policy?

In most cases, a general liability (GL) policy is constructed based on a standard ISO (Insurance Services Office) form. This form provides the foundation for very broad liability protection for landowners and hunting clubs. Although it

is considered a standard form, the wording can be confusing. Unlike a normal property insurance policy that describes what is covered; the general liability policy explains what is not covered. Such policy construction leads to confusion and misunderstanding about the numerous coverage's available under this GL form.

The GL insuring policy agrees to pay for "those sums that the, insured becomes legally obligated to pay as damages because of bodily injury or property damage to which the insurance applies. We will have the right and duty to defend the insured against any suit seeking those damages..."

This is a very broad statement that could potentially provide liability protection to an insured for anything the entity is legally responsible for. Without exclusions this insuring agreement would be considered so broad that it would be either too expensive or unavailable in the market place. Thus, even though the GL form is very comprehensive it is shaped by what exclusions are present on the policy.

For landowners and hunting clubs, it is very important that wording be included for hunting activities and operations and not additional exclusions are added that limit the normal hunting club/timberland owner's activities.

Elements of general liability insurance forms for landowners/hunting clubs should include:

1. Member-to-member liability coverage for cross-member liability claims.
2. Guest liability coverage to provide coverage to the club for acts of their guests.
3. Landowners as additional insured must have coverage for acts of the hunting club.
4. No exclusionary endorsements should be present for activities specific to timberland or hunting operations such as tree stands, ATVs, firearms, logging and lumbering, and/or fire.

Hunting club liability insurance is designed to lessen the risk associated with occurrences caused by the hunting club (or members and guests) and landowners. Clearly, all hunters and landowners should be aware of the risks they take by not having adequate liability insurance.

It's simply not worth risking all of your personal assets or your family's security due to unfortunate accidents or acts of your hunting club members/guests.

*(Ed Wilson, PhD co-founded Outdoor Underwriters Inc. in 2008 and, as vice president he manages the operations for all aspects of their forestry related insurance products. He is also a certified forester.)**



Forest Carbon Stocks and Flows

By: David Mercker, University of Tennessee Extension Office

The Society of American Foresters Task Force on Forest Climate Change Offsets¹ recently released a report that addresses the importance of carbon in the forest system. The following is a brief summary of the report.

Forests, as with oceans and non-forested lands, both emit carbon to, and absorb it from the atmosphere. In this sense, carbon moves in a two-way flow. Not only is carbon absorbed by trees through the photosynthesis process, but trees store carbon as well, eventually releasing it upon death and decay. Absorbing carbon is not the case with fossil fuels, or at least not in a time scale that can be measured. Consider these truths relative to the value of forests and carbon:

- When forests are young and vigorously growing they sequester carbon rapidly, becoming carbon neutral as they mature, and eventually a net emitter of carbon upon over-maturity;
- Old forests have large stores of carbon, but very low rates of additional carbon sequestration;
- As they mature, forests experience loss due to insect, disease, and storm-related conversion – if mature trees are harvested and utilized rather than allowed to succumb and rot, much of the stored carbon will continue to be stored in wood products rather than be released back into the environment;
- When agricultural or degraded lands are converted to forests, above ground carbon stocks as well as soil carbon stocks increase;
- US forest cover has increased continuously for over 70 years and net growth of wood fiber has exceeded removals, thus increasing carbon storage;
- Once harvested, most wood products last for decades if not centuries, continuing to prevent carbon from releasing back into the atmosphere;
- Wood requires only natural energy to grow and considerably less energy to make a final product than competitors like steel, plastic, concrete or aluminum;

We harvest trees, complete with all the aesthetic concerns, for many reasons. Landowners view timber harvesting as an opportunity to gain a return on their investment, to salvage damaged timber, to diversify their wildlife habitat and to enhance forest health. Loggers do it for a profession. Mills do it because they are capitalists, providing employment for thousands of Tennesseans. From this flow of revenue, taxes are generated. These taxes, in turn, help pay for roads, schools, security, municipalities and more.

So if you are concerned about atmospheric carbon, *harvest* some trees and encourage the growth of even more than you harvest. In the end, trees are the answer to so many of our natural resource problems. They're renewable.

Sustainable Conservationism: The Next Wave

By: David Mercker, University of Tennessee Extension Office

The profession of forestry in the US has celebrated over 100 years of service. During that time forest conservation has endured two seismic conservation waves and seems to be at the start of a third (Hudnut 2010). The three are:

1. **Progressive conservationism** – preserving and protecting our forests through government acquisition (Theodore Roosevelt era);
2. **Regulatory conservationism** – whereby various agencies were authorized to issue "regs" to enforce conservation;
3. **Sustainable conservationism** – a new period of free-market enterprise that offers landowners economic incentives to protect natural resources.

A variety of conservation programs are already in place whereby landowners are being paid to protect the land. Consider the Conservation Reserve, Wetlands Reserve and more recently the Conservation Stewardship Programs. Other programs allow the purchase of conservation easements. With these, an easement is sold or do-

nated whereby land is protected from development in perpetuity, but still allowing owners to keep, live on and use their land. The merits of such programs are controversial, but many would agree that society benefits by being assured healthy forests, diverse wildlife and clean water.

Arising from this third wave is interest from private enterprise to develop, trade and profit from ecosystem markets - much like commodity futures trading. These markets will provide a link between **landowners who can** protect the environment and the entities willing to pay for such actions (such as developers, industry, etc). Consider the carbon markets that have recently languished, but could return.

Presently it is complicated, cutting edge and too much for most of us to understand. The USDA's newly initiated Office of Environmental Markets

(<http://www.fs.fed.us/ecosystemservices/OEM/index.shtm>) will gradually increase the public's understanding and participation. At this point, all we can do watch with anticipation, resentment, caution or even apathy.



Once Again, Pen-Raised Quail are Not the Answer!!

By: Craig Harper, Professor, Wildlife Management

I continue to get requests for information regarding pen-raised quail. Many people want to see more quail and reestablish populations of bobwhites. However, releasing pen-raised birds is not the answer! Years ago (1930's – 1950's), state wildlife agencies throughout the country hatched and pen-raised millions of bobwhites. Upon release, they were to bolster and re-establish quail populations. **All** of these efforts failed. Millions of dollars were spent. Wildlife managers learned a lot in the process. Since, much has been learned in the private sector about raising pen-raised bobwhites. However, **efforts to keep them "wild," feeding programs, soft-release techniques, etc. have not led to a single reestablished population .**

Pen-raised quail lack behavioral characteristics of wild birds. This should not be surprising as pen-raised birds are domesticated stock, which have been selected over time to be docile enough to survive in pens and raised in a most unnatural way. Many of these domesticated birds will not nest, and some that do will not incubate their clutch. It has also been noted for a pen-raised female to incubate her clutch and, upon hatching, simply walk off and leave the brood. Without the hen, chicks die quickly, either from exposure, starvation, or predation. In short, **pen-raised quail have never been found to be able to sustain a population**. In addition to the behavioral traits, mortality among pen-raised bobwhites is **extraordinary**. This is understandable as the birds have not learned to avoid or escape predators by the proper rearing of a wild adult hen or cock bird. They are relying on innate instincts, which are obviously lacking after generations of domestication.

Although behavioral issues can be problematic, some pen-raised bobwhites have been found to reproduce, nest, and raise a brood if they are released where some wild quail still persist. However, **domesticated birds should never be released where wild birds still persist!** Pen-raised birds readily associate with wild birds. In fact, they interbreed. This is not good; research has shown the genetic integrity of a wild population may be sacrificed after only 2 years of releasing pen-raised birds just prior to the nesting season.

Another problem associated with pen-raised bobwhites is transmission of diseases into the local wild population (if one exists), which can lead to increased mortality for native birds. Domestic quail are raised under the same conditions as other poultry, such as chickens and turkeys, and are subject to many domestic poultry diseases.

Regardless of the problems associated with pen-raised bobwhites, these birds would not persist to re-establish a population even if reproduction and mortality were not a problem. The real problem is they do not have an adequate place to live; **that is, the habitat is not suitable**. Have you ever wondered why the native birds are no longer there, or why the population is not increasing?!? If native birds are present, why would releasing domesticated birds cause the population to increase if the current wild population cannot increase on its own?!? The environmental pressures that are limiting population growth have not been removed. If the area does not currently support bobwhites, there is a reason.

Many factors have contributed to declining quail populations: 1) habitat destruction (quail can't live in shopping centers, parking lots, and subdivisions, so there is less area available), 2) changing land-use practices (large "clean" farms with no suitable cover; conversion of row-crop farming to pastures and hayfields of tall fescue and bermudagrass), and, yes, 3) increased numbers of predators (nobody traps anymore). We have also learned that habitat improvement on relatively small properties (less than 1,000 acres) surrounded by poor bobwhite habitat may not help bobwhite populations. A landscape effort is needed. That doesn't mean you should not try to improve habitat for bobwhites and other wildlife that use early successional habitat, but it does accentuate the importance of working with your neighbors and trying to impact as large of an area as possible.

Over the past few years, several research projects have studied and identified what we need to do to bring quail back to appreciable numbers. **Every study points to habitat**—improving habitat conditions to once again favor the year-round needs of bobwhites is the key to restoring bobwhite populations. Not pen-raised birds.

For information on improving habitat for bobwhites and how to receive cost-share assistance, contact your county Extension office, regional TWRA office, or local NRCS office.

Ed Polk, TN Tree Farmer of the Year Honored at the Capitol

Ed Polk, 2011 TN Tree Farmer of the Year was honored during the House Environment and Conservation Committee meeting on Wednesday, March 15. Mr. Polk and wife Nancy, were recognized by the TN General Assembly for their commitment to sustainable forestry practices and dedication to growing trees for future generations to enjoy as productive forests. Mr. and Mrs. Polk live in Nashville, but their Tree Farm is located in Dickson County. The Polks received a honorarium resolution signed by Governor Haslam, Lieutenant Governor Ron Ramsey and Speaker of the House Beth Harwell. Congratulations again to Ed and Nancy as 2011 Tree Farmers of the Year!



Why Plant Pine? Continued

By: Wayne K. Clatterbuck, University of Tennessee Forestry, Wildlife and Fisheries

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excessive. However, the shorter rotations of pine compared to the longer rotations for hardwoods may compensate for these costs. The production of pine volume on these sites may also compensate costs, where it is often twice that produced on the ridges.

2. **Ease of Planting and Seedling Cost** – Pine seedlings are cheaper and easier to plant than hardwoods. Seedling costs for pine average \$50 per 1000 seedlings, while hardwoods such as yellow-poplar and oaks average \$300 or more per 1,000 seedlings.
3. **Economics and Returns** – Pine is more valuable on the timber market than the red maple, low-grade oaks and sweetgum that generally occur on poorer sites. Pines are cheaper to establish and are grown at shorter rotations (20 to 30 years) than hardwoods. Establishment and management costs are recovered more quickly with the shorter rotations. Annual rate of return for pine in Tennessee averages 10 to 12 percent per year. Refer to UT Extension publications PB 1462 (White Pine) and PB 1466 (Loblolly Pine) for typical financial analyses in growing these species.
4. **Risk to Southern Pine Beetle Attack** – There is a good chance that at some time during your pine rotation you will have to deal with southern pine beetles (SPB). They are a native pest, are always present and tend to build to outbreak population levels every eight to 10 years. Our skills as pine managers will be tested to monitor, manage and capture the value of these trees before potential losses to SPB. The key is to manage these stands so that they remain healthy, vigorous and less susceptible to SPB. Consider that most of the trees killed during the 1999-2000 outbreak survived three to five earlier SPB outbreaks over the last 60 years.

Hardwoods are also susceptible to damaging agents such as insects (defoliators, borers and piercing/sucking organisms) or diseases (cankers, wilts, root rots and other decays) as well as unfavorable climatic variations, primarily droughts. The risk of growing hardwoods may even be greater considering their longer lifespans when compared to pine. Risk is always present when growing tree crops and managers should frequently monitor their property to minimize potential losses and promote healthy trees through

their management activities.

5. **Planting vs. Natural Regeneration** – Pines can readily regenerate naturally from seed, if exposed to mineral soils and full sunlight. So why the interest in planting pine seedlings?
 - a. Planting pine provides more control over stand density (spacing) and arrangement. With natural seed fall, wherever a seed falls and germinates is where a new tree begins to grow. Natural stands are often too sparse or too dense, leading to added expense later (precommercial thinning) or incomplete utilization of the site. Planting gives more control of growing space and decreases the risk of establishing a pine stand that is too dense or too sparse.
 - b. Pines have been developed through tree improvement programs that have better form, faster growth and more resistance to insects and disease. Planting, as opposed to natural regeneration, allows using seed from improved sources.
 - c. Planting does involve the costs of seedlings, planting, site preparation and control of undesirable vegetation, if needed. However, in most cases, these costs are compensated by the improved growth of planted trees at proper spacings.
6. **Diversify Your Forest and Forest Investment** – A tremendous benefit of planting pine is that early successional habitat and winter cover are created for wildlife. Pine offers many attributes for wildlife that cannot be satisfied entirely by hardwood forests.

Pine provides more frequent income intervals than hardwoods. Considering that the rotation length for most managed hardwoods is 40 to 80 years, the income flow from pine is at a much shorter interval. Diversity of your forest and your forest investment can be provided in two ways by planting pine. First, pine plantations can be established among hardwood tracts. Second, a mixed pine-hardwood planting will provide income flows from pine in the short term, leaving hardwoods for the long term.

SAVE THE DATE:

Tennessee Tree Farm 2nd Annual Workshop: "What Goes on Behind the Sign"

Friday & Saturday, September 21-22 in Oak Ridge, Tennessee

Friday evening tour & dinner at American Museum of Science & Energy

Saturday Field Day Activities at University of Tennessee Forest Resources Research & Education Center

More Information to Come Soon!!! We hope Tree Farmers from all over Tennessee will plan to spend a beautiful fall weekend in Oak Ridge for this 2nd Annual Workshop.





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Tennessee General Assembly

Provided By: Tennessee Forestry Association

The 107th Tennessee General Assembly wrapped-up the second year of the two year session in early May. The Tennessee Forestry Association (TFA) actively works to ensure that Tree Farmers, loggers, forest industry and others interested in sustaining our forests as well as our economy are recognized for the value our landowners and wood industry contribute to Tennessee. Several items of interest are listed below that were addressed during the 107th General Assembly.

Items of interest from the TN General Assembly

- **Inheritance Tax:** The inheritance tax exemption level was increased to \$1.25 million in 2013; \$2 million in 2014 and \$5 million in 2015.
- **Gift tax** is gone by signature of Governor Haslam. The removal of the gift tax will be retroactive to 1/1/12.
- **Prescribed Burning:** Legislation passed which provides for a certified prescribed burn manager. Rules will be promulgated by the TN Division of Forestry. Legislation & Amendments can be viewed at: <http://wapp.capitol.tn.gov/apps/BillInfo/Default.aspx?BillNumber=HB1572>.
- Legislation was **withdrawn** by the sponsors that would **eliminate the practice of clear-cutting on**

state forests. TFA **opposed this legislation** that would be detrimental to the health of our state forests, and would not allow forest managers to make the decision on harvesting techniques used on the forest.

- Legislation was **not pursued** by the sponsors that would **reduce the amount of paper** used by state government. **TFA opposed this legislation.** TFA believes that paper is produced from a renewable, natural resource. Our organization believes in efficient operations by state government, but we did not believe this reduction would be a sound or sustainable practice. We also did not believe one product should be singled out for reduction in this manner.

TFA hopes that Tree Farmers will become active and involved in our forestry organization. Your voice can be heard in the Halls of Legislative Plaza and in the Chambers of the Capitol. Please join TFA and become a part of one of the most active organizations on Capitol Hill. Also, please get involved locally and get to know incumbents and candidates in House and Senate races. The November, 2012 elections can truly set the course for how Tennessee's forests will be managed in the future. Your voice and your vote matter!!! For more information on the Tennessee Forestry Association visit our website at www.tnforestry.com.

Tennessee Forestry Association Annual Convention

October 10-12
Meadowview Marriott-Kingsport, TN
<http://www.marriott.com/hotels/travel/tricc-meadowview-conference-resort-and-convention-center/>
Room Rates: \$104.00
Please watch the TFA website for more information on Annual Convention.
www.tnforestry.com.

Forestry Updates

Please check out the Tennessee Forestry Association website for updates on issues, forestry news and events and association activities. www.tnforestry.com.

Also, other websites of interest include:

<https://utextension.tennessee.edu/Pages/Default.aspx> &
www.tn.gov/agriculture/forestry.