

The Story of the Forest: Forest Connections...A Family Economic Issue Frequently Asked Questions....

When it comes to taking care of your family's resources, would you know what to do? One of the best ways to take care of your family's inheritance is to make some decisions before a crisis situation occurs. Think about your land and what your family's wants and needs are for the forest. If you are then faced with a situation where you have to make decisions about your forest assets and resources, you will be in a better position to get what you want. You will also be making decisions that, at the same time, can improve or maintain your forest resources for your children and grandchildren.

What should I know before I sell my timber?

1. Contact a forester for a management plan, such as ones from the Division of Forestry for a management plan. They will:
 - Determine what you want from your forest in the future.
 - Determine the volume of wood and species on your land.
 - Mark your timber so that you get what you want in the future.
2. Contact a consulting forester to negotiate your sale. They will:
 - Will help you sell your timber in a way to claim capital gains
 - Determine the quality of your timber.
 - Obtain sealed bids for your timber sale.
 - Provide you with a written contract.
3. Notify all adjacent landowners of the sale.
4. Get a water quality plan.

How can I be assured my land will not be damaged or that my forest will not be destroyed?

Sell by a written contract. In the contract you can put special considerations or any specific items you want or any items you and the buyer agree upon. Written contracts protect you and the buyer. Sell only what you agreed to sell. You may be asked to sell more or different trees than were marked for your timber sale. This may make you more money, but undermines your long-term plan for your forest. For a sample contract see handouts for this lesson.

What is a sealed bid?

A sealed bid is a when only you the landowner get to know what is being bidden for your timber. Bids from timber can vary by large amounts. The more interest that is generated in your timber that is generated, the greater your chance of getting the best offer for your timber. Notices should be sent to buyers with a date and time to show the timber and a date, place, and time to open the bids you receive and award the sale.

What can I expect after the timber sale?

You might want to remove trees that will never increase in value. Ask the forester helping with your management plan for a way to incorporate these costs into the sale.

Also you should make sure your roads are retired using best management practices to protect your watershed. This specification can be put into your contract.

What influences how much I will get from my timber sale?

It depends on:

- The species and quality of your timber
- How far you are from the mill(s)
- Current access to the timber
- How steep the hillside,
- How hard it will be to log
- The total amount of timber you are selling
- Market conditions for timber
- Season/weather

I have heard that by claiming capital gains I can save money by paying less taxes. What is a capital gain and how does it help me pay less tax?

A way to think about a capital gain is that your capital (trees) has gained some value or a profit and this profit is taxable. Income claimed as a capital gain often has a lower tax rate.

How can I be assured that I claim capital gains in a timber sale?

For income sales to qualify as capital gains:

- You must have owned the timber for 12 months
- You must release your interest in the timber when it is cut

Releasing interest means that you do not have retained interest in the timber after it has been cut. An example of this is cutting timber on the “shares” where you receive some percentage of what the mill will pay for the logs. Income from such a timber sale can not be claimed as capital gains and must be reported as ordinary income, this includes selling lumber you have sawn yourself. To sell your timber so that you can be taxed at the lower capital gains rate you must “release your interest”. There are two ways to do this: one, to agree to sell your timber to a buyer for a “lump sum”, that is the buyer agrees to purchase all of your timber for a certain amount or two agree to sell for a specified amount per unit (boardfoot, ton, or cord).

What does selling by a “lump sum” or “on the shares” mean?

To sell by a “lump sum”, you receive a set dollar amount for all your marked timber.

Selling by a lump sum will enable you to claim capital gains. Selling by “cutting on the shares” means you will receive a check from the mill and the timber buyer receives a check from the mill. Selling this way will not let you claim capital gains thus use a lower tax rate.