THE OVERSTORY

MSU Forestry Extension Newsletter

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INSIDE THIS ISSUE:

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Forest Landowners and the 2017 Tax Cuts and Jobs Act (TCJA)

Stephen Dicke

Forest landowners may see a modest reduction in their taxes following passage of the 2017 Tax Cuts and Jobs Act (TCJA). Business owners generally benefited and investors did not. Corporate tax rates are greatly reduced and businesses can reduce their reported income. Individual taxpayers benefit from lower ordinary income tax rates and a doubling of the standard deduction. The Alternative Minimum Tax affects less taxpayers. On the negative side, the personal exemption was repealed.

TCJA had little effect on the sale of timber that was held for more than one year. This income qualifies as a long-term capital gain for both investors and businesses. The existing long-term capital gain tax rates of 0%, 15% and 20% continue. The Net Investment tax of 3.8% for high income remains. Timber basis may be deducted against sale income through depletion. Reforestation costs may be expensed or amortized by both investor and business owners. Special treatment of qualifying reforestation cost-share payments continues. Property taxes, interest, and insurance may be deductible for investors and businesses. Casualty losses are still deductible only if property is being held for profit. Casualty loss deductions are now very restricted for hobby or personal use property. Deductions are only allowed during presidentially declared disasters. Businesses may take a non-casualty business loss for timber killed by a southern pine beetle outbreak.

Investors now have to capitalize forest management expenses. The reason is a suspension of the miscellaneous itemized deduction. Material participants in a trade or business are still able to deduct their forestry expenses. Businesses may elect to take a Section 179 deduction on most depreciable expenses. A 100% bonus depreciation is also available for new or used equipment purchased after 9/27/2017. For more information online concerning the tax treatment of timber see **www.timbertax.org**.

Delta Hardwood Notes: Sugarberry or Hackberry?

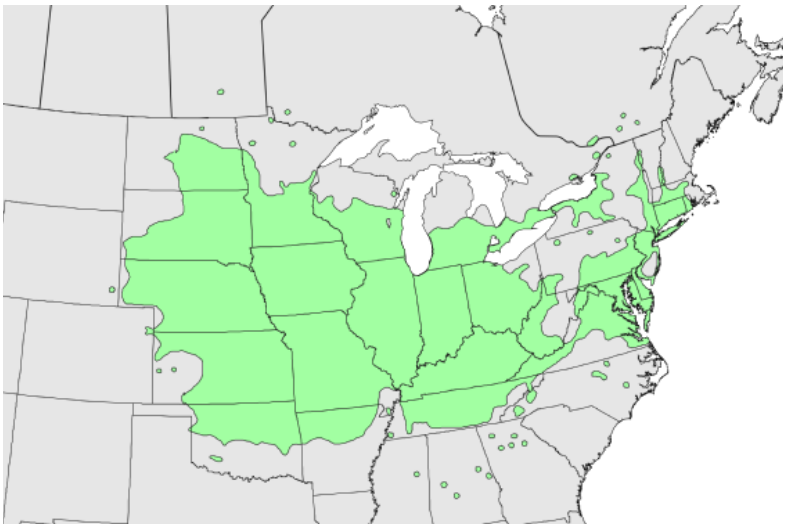
Brady Self, NWMS Extension Forestry Specialist

I recently encountered a common misconception/misidentification regarding tree species. Common plant names are used by local people and may be totally different from one state to another and even within states, which is why scientists use scientific names to identify plants. In Mississippi, we often refer to a common tree as hackberry. In fact, the tree we see in Mississippi is almost always sugarberry. Hackberry (Celtis occidentalis) does not occur in the Delta while sugarberry (Celtis laevigata) is the common tree we see across the landscape. The confusion is understandable due to similarities between the two species and a lack of familiarity with sugarberry. This is a common occurrence with several species, but for these particular two, the name sugarberry is almost never encountered in the Delta and hackberry is nearly always used as a substitute.

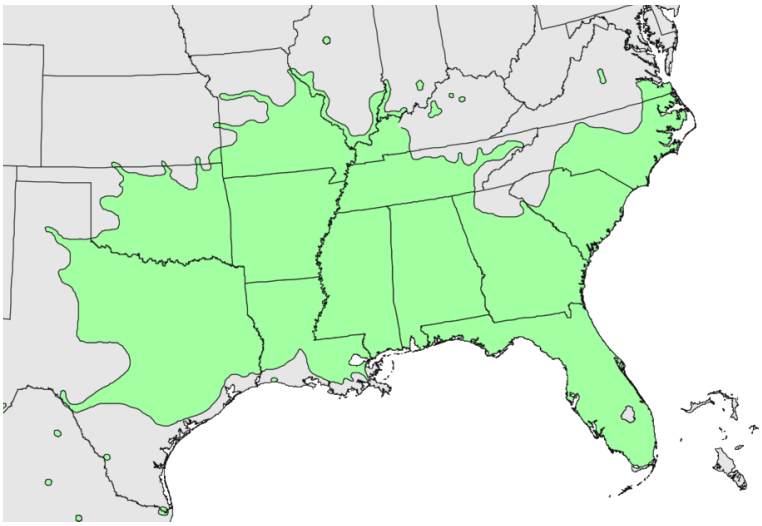
Top: Wray Hackberry; Paul Wray, Iowa State University
Bottom: Ruter Sugarberry; John Ruter, University of Georgia Bugwood.org

Sugarberry and hackberry are different species (see range maps), yet are very similar in appearance. Both species have similar bark with corky warts and similar branches, twigs, and buds. One really has to look to leaves and fruit to observe distinguishable differences between species. The leaves are similarly sized, colored, and veined. However, there are discernable differences in leaf shape. Leaf margins of sugarberry will be either smooth or irregularly serrated (toothed) while hackberry leaves will be sharply serrated. In addition, leaf surfaces of sugarberry are typically smooth while those of hackberry are rougher due to the presence of hairs. The fruit of each species is different as well. When ripe, sugarberry drupes (berries) will range in color from yellow-orange to reddish brown and those of hackberry will be purple in color.

Other subtle differences exist, but are harder to for the untrained eye to detect. For a general rule of thumb to follow, sugarberry is the predominant species in Mississippi with small pockets of hackberry occasionally encountered.



Hackberry Range



Sugarberry Range

Image credit: Elbert L. Little, Jr., of the U.S. Department of Agriculture, Forest Service, and others - USGS Geosciences and Environmental Change Science Center: Digital Representations of Tree Species Range Maps from "Atlas of United States Trees" by Elbert L. Little, Jr. (and other publications)

Mississippi Timber Price Report

3rd Quarter, 2018

The Mississippi Timber Price Report provides a picture of timber market activity across the state showing regional and statewide stumpage prices for common forest products. This report should only be used as a guide to help individuals monitor timber market trends. The average price should not be applied as fair market value for a specific timber sale because many variables influence actual prices each landowner will receive. This report and historical timber prices are available by contacting your local county Extension office or at: **www.extension.msstate.edu/forestry/forest-economics/timber-prices**.

Quarter's Prices: 3rd Quarter 2018 Stumpage Prices/Ton (Source: MSU Extension)

NOTE: Prices vary widely across the state; average prices presented here may not reflect your local market.

Pine Sawtimber - **$21.02**	Mixed Hardwood Sawtimber - **$32.64**
Pine Chip N Saw - **$11.74**	Hardwood Pulpwood - **$8.10**
Pine Pulpwood - **$3.76**	Oak Sawtimber - **$47.14**
Pine Poles - **$38.25**	Crossties - **$31.56**

What's Moving Prices - Trends:

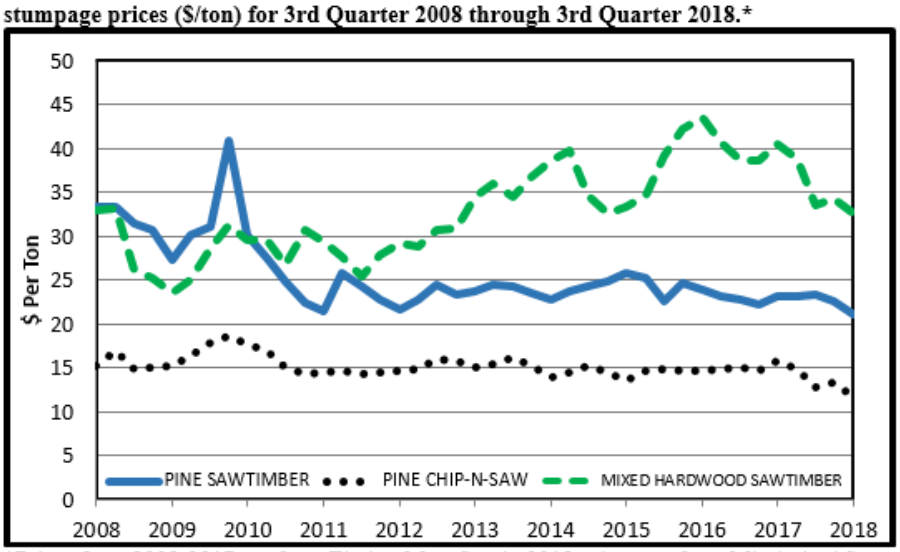
The oversupply issue continues to influence timber prices in Mississippi and will continue to impact prices for an extended time period. Dry weather during much of the 3rd quarter also negatively impacted statewide stumpage prices.

Compared to the 2nd quarter of 2018, statewide average prices declined for all species and product classes except hardwood pulpwood which increased. Pine pulpwood faced a 35% decrease this quarter. However, as expected, regional differences were noticed for each species/product class with some regions seeing increased prices while other regions decreased.

Prices are expected to remain relatively stable headed into the 4th Quarter, with slight increases for some species/product classes and decreases for others. Prices in north Mississippi, particularly pulpwood will continue to suffer because of oversupply and reduced demand in the area.

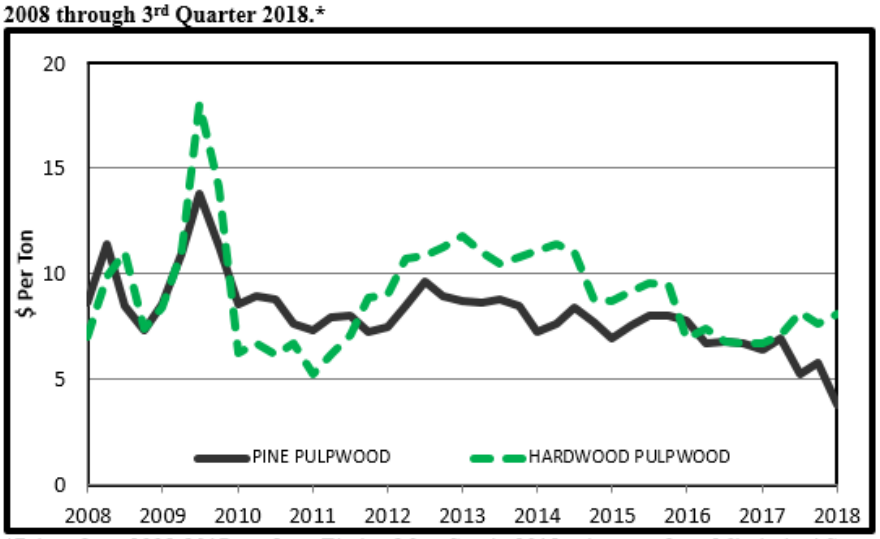
Timber-Mart South (TMS), Inc. has more detailed data available by subscription that contains values for other timber products not included in this report. TMS is compiled and produced at the Center for forest Business, Warnell School of Forest Resources, University of Georgia, under contract with the Frank W. Norris Foundation, a non-profit corporation serving the forest products industry.
See http://WWW.TMARTSOUTH.COM/ for information on subscriptions.

Average Mississippi pine sawtimber, pine chip-n-saw, and mixed hardwood sawtimber stumpage prices ($/ton) for 3rd Quarter 2008 through 3rd Quarter 2018.*



*Prices from 2008-2017 are from Timber Mart-South. 2018 prices are from Mississippi State University Extension.

Average Mississippi pine and hardwood pulpwood stumpage prices ($/ton) for 3rd Quarter 2008 through 3rd Quarter 2018.*



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Prescribed Fire and Upland Oaks: A Burning Issue

Jennifer McDaniel, Graduate Research Assistant, Mississippi State University

If you've ever walked through an oak forest and noticed many towering, mature oaks but few smaller, immature oaks, you're not alone. Beautiful, tall white oaks, post oaks, and southern red oaks are a common sight, but smaller trees - like winged elm, sweetgum, or red maple - tend to be less valuable species. This decrease in oak abundance has concerned researchers and is thought to be due to fire exclusion over the last century. It may seem counter-intuitive, but fire is not always a destructive force and can be a natural, beneficial disturbance that plays an important role in maintaining forests and other ecosystems. Fire reduces dangerous buildup of dead wood, returns nutrients to the soil, and promotes many plant species that are important for wildlife food and cover. In upland oak forests of the eastern United States, fire promotes oaks by increasing light levels and encouraging growth. Without fire, however, less desirable species that would otherwise be killed by fire flourish in the shaded understory, outcompete oaks, and potentially lead to changes in forest composition, nutrients, and wildlife populations.

A research project from MSU's Forest and Fire Ecology lab focuses on the consequences of decreasing oak in upland forests and the use of prescribed fire to combat these changes. Not all leaves are the same shape or size, so with changes in forest composition, there may also be changes in how well leaf litter burns. Small, flat leaves, like those of winged elm, pack tightly and may dampen fires that are fueled by leaf litter. For example, recent research suggests winged elm, sweetgum, and hickory leaf litter create slow-moving, cool fires compared to oak litter. If oak forests continue to experience an increase in other more competitive species, prescribed fire will likely become less effective and more difficult to use as a tool to promote oaks. It will be important to begin using prescribed fire now to conserve the stately, iconic upland oak forests of Mississippi and the eastern United States.

Photo credit: Jennifer McDaniel
Prescribed fires in upland oak forests, such as this fire conducted in early March in northern Mississippi, are typically low intensity and slowly creep through a stand, consuming leaf litter with little damage to overstory trees.

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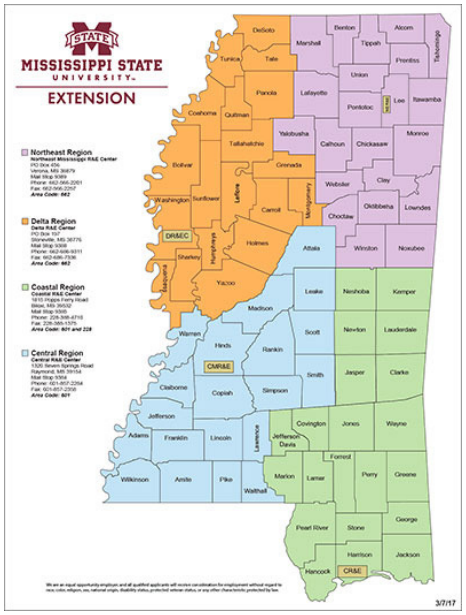
MSU-ES Region Map



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