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Timber Tales

No. 137 News and Ideas for Forest Landowners from Ricky Kilpatrick, Area Forestry Agent 3rd Quarter 2011

2010-11 Drought Continues to Take its Toll on Trees

About this time last year is when the problem really began. Our typical summer drought set in, and we had a dry late summer in 2010. Trees are prone to shut down and go dormant early when they are under stress from drought or other factors, so many trees in our area did so in August and September 2010. Normally, these trees get well replenished during the fall and winter, and they are re-energized with enough water to start off strong in the spring. However, our soil moisture was at such a deficit and a far below normal rainfall for the fall and winter left trees lacking for the spring. Many trees in our area had just enough soil moisture and reserves to leaf out and then quickly began to decline, many to a very early season death. As the drought and extreme heat continues through 2011, even many of the strongest and healthiest trees have died.

Additionally, many other problems arise as a result of drought stress. Ips Engraver Beetles in pines and bacterial leaf scorch and hypoxylon canker in many hardwood species have been pronounced in our area due to the drought. This is just a couple of many insect and disease problems that arise as a secondary problem because of the drought stress.

Of course, watering for yard trees and other trees of special importance is critical. As much as possible, begin watering at daylight or as early as possible. If you must water on up in the day, try to focus your efforts on the shady side of the trees. Do not fertilize trees now, they need to slow down, and as mentioned before, going dormant early may provide their best chance to survive. Some trees and plants are more prone to early dormancy during these conditions. For instance, buckeyes are often already bare by now, unless there is an unusually mild, wet summer. As trees start to go dormant early, the best plant health indicator will be next year's buds. These buds are already visible on the tree. Viable buds will continue to swell through the fall and winter. If a drought-stressed tree has these buds, water it one or two more times after the leaves have dropped to strengthen it as it goes into dormancy.

During this stressful time, do not do anything to compound the problem. Other than dead limbs, leave the pruning until after Thanksgiving. Minimize any soil disturbance within the dripline, and save the fertilizing until February and March.

For additional information, call Area Code 318 and . . .					
BIENVILLE	263-7400	BOSSIER	965-2326	CADDO	226-6805
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Income Tax Deduction for Timber Casualty Loss

Dr. Linda Wang
National Timber Taxation Specialist, USDA Forest Service

Updated June 2011

Timber damaged by hurricane, fire, earthquake, ice, hail, tornado, high wind and other storms are “casualty losses” that may allow timberland owners to claim a deduction on their federal income tax returns. But in many cases the specific requirements on loss calculation set by the tax law and rules may actually result in low or no deductions.

Tip: It is important to weigh the cost of hiring professional forestry and/or appraisal services to establish the required tax records against the potential tax savings before proceeding.

Determining the Amount of Casualty Loss

Deductible casualty loss for timber held for business or investment purpose is the smaller of the *adjusted basis of timber* and the *difference of the fair market value immediately before and after the casualty*. Salvage sale is reported separately.

An Example

A tornado damaged your woodland tract. Before the tornado, the fair market value of the timber was \$10,000. But after the storm, the timber is worth only \$1,000. So the FMV loss of your timber is \$9,000 (\$10,000 - \$1,000). Assuming your timber basis is 5,000, *the amount of casualty loss deduction is only \$5,000, not \$9,000.*

Calculating the Adjusted Basis

The Key

for most cases is to figure out the adjusted basis of the standing timber. There is no deduction allowed if the basis is zero.

The key for most cases is to figure out the “adjusted basis” of the timber. Generally, the cost of a property (standing timber here) is termed “basis” in tax. The “adjusted basis” is the original basis reduced or added by adjustments over the term of ownership (e.g., new purchase or timber sale).

The original basis for:

- purchased timber property is the purchase price and related costs (such as legal fee and timber cruises).
- gifted timber property is the donor’s adjusted basis in most instances.

- inherited timber property is the fair market value (or alternative value if so elected) on the date of death (or alternative valuation date).

If you have not determined the basis of your timber at the time of acquisition, you may use the current volume, growth over the years, and timber price at the time of acquisition to establish it retroactively (IRS Timber Casualty Loss Audit Technique Guide). Use Form T to document your timber basis.

What You Need from Your Forester

To establish the timber basis and appraise the fair market value loss of the timber immediately before and after the casualty, you may need to consult a professional forester to determine the relevant *timber volume* in thousand board feet, cords or tons and *timber prices*.

“Single Identifiable Property”

Treasury regulations require that casualty loss is determined with respect to “single identifiable property.” This can be the “timber block” (even if only a portion of it is actually damaged) if you keep the timber tax records (account) together for the block. For example, you own a tract with 100 MBF of pine sawtimber (\$4,000 basis) kept in one account. A fire destroyed 20 MBF. The adjusted basis for the casualty loss determination is \$4,000, not just \$800 (\$4,000 x 20 MBF/100 MBF). But the loss valuation must also be appraised for the entire tract/block, which can cost more.

Where to Report the Casualty Loss

Casualty losses are claimed first on Form 4684. For timber investment property, the loss is then entered into Schedule A of Form 1040. For timber business property, the loss is entered on Form 4797. Form T should also be prepared, although you may or may not be required to file it (see filing instruction on Form T).

What If a Net Gain is Realized from Salvage Sale

You have a taxable gain when the salvage sale exceeds the adjusted basis of the timber and the sales expenses. But you may elect to postpone paying taxes on the gain if the proceeds is re-invested in timber such as planting trees, purchase of timberland and stock (at least 80% of the timber corporations).

TAX POINTERS

Appraisal Fee and the Cost of Photos:

- Appraisal fees and the cost of taking photos are not part of the casualty loss deduction. They are deductible expenses claimed as miscellaneous itemized deductions (subject to the 2% adjusted gross income reduction).
- Any cleanup costs after the casualty are not casualty loss.

When to Claim the Loss:

- In general, you can deduct a casualty loss only in the tax year in which the casualty occurred.
- However, for federally declared disaster area, you may elect to apply the casualty loss in your prior year's tax return. Compare your current year and last year's tax bracket and any expenses in amending the prior year's tax return.

Special Rules for Damage to Your House and Landscape Trees:

- The initial casualty loss deduction, first calculated as the smaller of the fair market value loss and the adjusted basis, is then reduced by \$100 per casualty event and 10% adjusted gross income to arrive at the allowable amount of loss.
- Insurance, reimbursement and salvage value must be subtracted from the casualty loss.
- Report such casualty loss as an itemized deduction (Line 20, Schedule A of Form 1040, for 2010).
- If you don't take itemized deduction, a casualty loss on personal-use property such as your house and landscape trees is lost.

Note: Combine the house and the landscape trees as one property for calculating the loss (Reg. §1.165-7).

TIPS ON RECORDS FOR PROOF

- Gather information about the casualty (time, nature of the event and the area affected).
- Take photos as quickly as possible after the casualty.
- Document the federal or state assistance or payment received.

- Gather legal, insurance, and accounting papers, if necessary, from the court, title company, the bank, or the insurance company to establish ownership and possible insurance claims if any.
- Forest management records such as management plan.
- Carefully document the appraisals from the hired services by professional foresters and/or appraisers.

It is important that you have records that support your casualty loss deduction, but do not attach them to your return.

RECOMMENDED READINGS

- ◆ USDA Forest Service Publication: *Forest Landowner's Guide to the Federal Income Tax*, Chapter 5 (Cost Considerations), Chapter 6 (Income Considerations) and Chapter 8 (Casualties, Thefts and Condemnations), available free on-line by key words search using the book's title
- ◆ National Timber Tax Website: www.timbertax.org/getstarted/casualty
- ◆ The IRS Website: <http://www.irs.gov/taxtopics/tc515.html>
- ◆ The IRS Timber Casualty Loss Audit Technique Guide, April 2011.
- ◆ IRS Publication 547: *Casualties, Disasters, and Thefts*
- ◆ IRS Publication 584: *Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)*
- ◆ IRS Publication 584B: *Business Casualty, Disaster, and Theft Loss Workbook*
- ◆ A tax preparation software can be an effective tool for casualty loss calculation and form selection, saving your time.

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Managing Bass and Bream Populations

Management of bass and bream populations requires maintaining a balance in the predator-prey relationship of these two species. Sustained fishing success will not be possible without careful attention to the number, size and condition of bass and bream being caught. For this reason, harvest records are essential in the management of ponds stocked with bass and bream.

In Louisiana, bass stocked as fingerlings should be allowed to remain in the pond until the second summer after stocking. In most cases, no more than 30 to 35 pounds of bass per acre per year can be removed from a fertilized pond if balanced populations are to be maintained. This limit is reduced to 15-20 pounds in unfertilized ponds.

Whether you keep track of numbers or pounds of fish, most of the fish harvested from a bass-bream pond should be bream. A general recommendation is to harvest at least 5 pounds and as much as 10 pounds of bream for every pound of bass. In many instances, any bluegill which is caught should be removed from the pond, whether it is large enough to eat or not. Redear sunfish are not as prolific as bluegill and may be thrown back except when bream populations are extremely high.

Another point to remember is that when a bream is removed from the pond, another individual will grow to take its place within several months. When a bass is caught, however, it will take roughly one year for a younger fish to take its place. For this reason, bass harvests must be spread out over the entire fishing season if pond balance is to be maintained.

If both bass and bream exhibit good reproduction, a pond can probably be considered in balance. One way to ascertain spawning success is to sample shallow areas from mid-May to late June with a small-mesh minnow seine, approximately 15 to 30 feet in length and 4 to 6 feet deep. Ideally, various sizes of both species will be present, including young-of-the-year in the 1- to 2-inch size range. The late Dr. H.S. Swingle of Auburn University developed the following method of evaluating pond balance based on seining samples: (see Table 1)

Another way to determine whether bass and bream populations are in balance is to evaluate the size of fish being harvested. If most of the bream are small (less than 5 inches long) and few small bass are present, the pond is probably overpopulated with bream. This is common. On the other hand, if only a few very large bream are present and many small bass are in the pond, additional bass harvests may be necessary.

The percentage size distribution (PSD) method of evaluating pond balance is useful if good records are available for the pond. Records should be kept of all largemouth bass larger than 8 inches caught from the pond. Of those bass, any fish larger than 12 inches can be considered a "quality" fish. The PSD for the bass population is determined by the percentage of all bass over 8 inches long which can be considered quality bass (over 12 inches.) If 10 fish over 8 inches in length are caught and six are over 12 inches, the PSD is 60. Balanced bass populations generally have PSD values between 20 and 60.

Table 1.

Fish Collected by Seine	Condition of Population	Recommendation
No young bass. Many recently hatched bream and few or no 3- to 5- inch bream.	Bass slightly crowded.	Harvest more bass.
No young bass. No recently hatched bream but many 3- to 5- inch bream.	Bream overcrowded.	Remove excess 3- to 5-inch bream. Correct problems such as excess vegetation or turbidity. Bass stocking may be desirable.
No young bass. No recently hatched bream. Many 3- to 5-inch bream and many tadpoles, minnows or crawfish.	Bream overcrowded.	Same as above, but bass should be stocked at 50 per acre the next spring.
No young bass. No recently hatched bream, and few or no 3- to 5-inch bream.	Other types of fish competing with bream.	Undesirable fish must be eliminated by draining or renovating. Restock as new pond.
Same as above but with many 3- to 5-inch green sunfish.	Green sunfish competing with desirable bream such as bluegill and redear.	Same as above, or reduce green sunfish by intensively seining accessible areas.
Young bass present. Many recently hatched bream. Few 3- to 5-inch bream.	Balanced population.	No action required.
Young bass present. No recently hatched bream. No 3- to 5-inch bream.	Bass overcrowded.	Stock bluegill and/or redear adults (4- to 6-inch fish) at up to 200 fish per acre.
Young bass present. No recently hatched bream. Few 3- to 5-inch bream.	Other species may be competing with bream.	Monitor situation to determine if removal or eradication of competing species is required.

For bluegill, quality fish are considered to be 6 inches or longer, with any fish over 3 inches included in the PSD calculation. If 10 fish over 3 inches long are caught and two are over 6 inches, the estimated PSD is 20.

These PSD recommendations apply to general situations. Individual ponds vary widely in their ability to support different ratios of bass to bream, so use PSD values as indicators rather than management goals. Several years of diligent management may be required to bring bass and bream populations back into balance. Occasionally, however, ponds may go so far out of balance that more drastic corrective measures are needed, as described in the next section.

Table 2.

Management Recommendations for Various PSD Values		
Bass PSD	Bream PSD	Recommendation
More than 60	Less than 50	Increase bluegill harvest. Return all bass.
20 to 60	Less than 50	Increase bluegill harvest. Return large bass.
Less than 20	50 to 80	Harvest more small bass.
Less than 20	More than 80	Harvest more small bass. Return large bluegills.
20 to 60	50 to 80	Balanced. Return large bass.

Smithsonian Exhibit at the Southern Forest Heritage Museum!

You don't want to miss this great opportunity!! Our very own Southern Forest Heritage Museum will be the home for the Smithsonian Institute's exhibit, *Journey Stories*, in December 2011. The exhibit will be at the museum from December 10, 2011 to January 28, 2012. For details and more information on the museum, check out their website at www.forestheritagemuseum.org.

Events, Thoughts and Tidbits

***The second article in this newsletter "Income Tax Deduction for Timber Casualty Loss" can also be found as a PDF file on the Bossier Parish website: www.lsuagcenter.com/bossier.

***Here are a few notes for deer hunters from our wildlife specialist, Dr. Don Reed:

- If you're a bow hunter, persimmons and cowpea plots provide great early season spots for deer. Good luck finding a persimmon tree where the persimmons make it to the ground, before the coons and possums get them!
- With our extreme drought this year, deer are going to find more succulent browse material near wet areas.
- Our food plot publication lists several options with a September 1 planting date. Dr. Reed says wait till at least mid-September to plant these. Of course with the current drought, it won't do much good to plant anything till we get some rain.

- While food plots are helpful for holding deer in an area for hunting, managing native browse probably has more impact on the health of the deer herd and has more of a long term effect on the overall deer habitat. Managing for the right native plants preferred by deer, fertilizing these areas, etc., will provide much more long lasting results. Then supplementing this with food plots and using deer cameras provides a better opportunity to monitor your deer herd and better manage for the desired quantity and quality.

For more information on food plots for deer, check out our publication # 2843, *Food Plot Plantings for White-tailed deer in Louisiana*, on our website, http://www.lsuagcenter.com/en/environment/wildlife/wildlife_management/Food+Plant+Plantings+for+Whitetailed+Deer+in+Louisiana.htm.

***A great resource for wildlife managers is David Moreland's book, "Checklist of Woody and Herbaceous Deer Food Plants of Louisiana". The book is full of listing of the plants, as well as good photos of the plants, "how to" conduct a browse survey to evaluate deer habitat and much more helpful information to help you improve the habitat for whitetail deer. You can download this publication from this website: <http://www.deerandforests.org/resources/checklist-of-woody-herbaceous-deer-food-plants-of-louisiana.pdf/view>.

However, it is a lengthy book full of good color pictures, so you may want to just invest \$20 for a copy from the Louisiana Department of Wildlife and Fisheries. Their website has information on how to purchase a copy. <http://www.wlf.louisiana.gov/news/29025>.

***In addition to the Smithsonian exhibit, the Southern Forest Heritage Museum will again be hosting a Halloween dinner theater, "My Mummy is an Alien" on Friday evening, October 28. The legends and lore at Longleaf will follow on October 29. This year's story can be found on the museum's website at www.forestheritagemuseum.org.

Sincerely,

Ricky Kilpatrick
Ricky Kilpatrick
Area Forestry Agent

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Bienville, Bossier, Caddo, Claiborne, DeSoto, Red River and Webster Parishes**

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Louisiana Cooperative Extension Service, Dr. Paul Coreil, Vice Chancellor and Director
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