BIG SKY NIPF-ty NOTES

Supporting non-industrial private forest owners (family forests) in their rightful and responsible use, management and enjoyment of their forested lands

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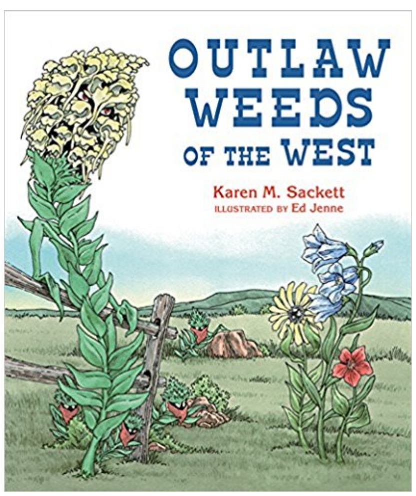
Chain saw raffle

The Montana Forest Owners Association will again be raffling a Stihl MS271 chain saw with 18" bar this spring. Tickets will be available at the March 24, 2018, Forestry Mini-College in Missoula and at the April 27, 2018, Forest Landowner Conference in Helena. This will be the third year in a row that MFOA will have raffled this Stihl saw. The winning ticket will be drawn at the conclusion of the Forest Landowner Conference on April 27.

Outlaw Weeds of the West



Available at Amazon.com

The book Outlaw Weeds of the West, authored by MFOA member Karen Sackett, would be a great holiday gift or stocking stuffer. It is written for children, but great for adults, as well. The book is well-written, fairly short and a joy to read. Following is a quote from the back cover.

"The Wild West has a whole new brand of outlaw-noxious weeds. They steal space from native plants, poison livestock, and blatantly trespass where they're not wanted. Author Karen Sackett informs readers of all ages of the wily ways of weeds, including the creepy trickster Dalmatian toadflax, which looks like a garden snapdragon but spreads long distances underground, and the hitchhiking outlaw houndstongue, whose Velcro-like burrs cling to fur and clothes. You'll learn how "special agents" in weed control-insects and goats-are reining in these outlaws, and you'll find out what you can do to help. Aliases, mug shots, and hangouts of the West's ten worst outlaw weeds are described in the Most Not Wanted section of the book. Hilarious cartoons, detailed botanical drawings, and colorful photographs will help budding weed vigilantes track down their quarry."

Forestry Mini-College

The Forestry Mini-College at the University of Montana in Missoula will be held on March 24, 2018. This is a one-day educational event for family forest landowners, professionals, and everyone interested in forestry. Classes begin at 9:00 a.m. and continue through 5:00 p.m. with a one hour lunch break. The fee is $30 per person and it covers a catered lunch, refreshments between classes and handout materials. Each attendee can register for a maximum of four classes (out of 12 offered) at 90 minutes each. While you are there, stop and say hello at the MFOA booth and get some chain saw raffle tickets. The class listing has not been posted, but keep an eye out at http://www.msuextension.org/forestry/fmc.htm.

Forest Landowner Conference
The Forest Landowner Conference in Helena is scheduled for April 27, 2018. Mark your calendar. While you are there, stop and say hello at the MFOA booth and get some chain saw raffle tickets.

Forest Stewardship Workshops
Montana State University Extension Forestry has tentatively chosen the following cities/towns for its 2018 Forest Stewardship Workshops: Columbia Falls, Potomac area, Bozeman and Billings. The next NIPF-ty Notes will include the dates, or go to http://www.msuextension.org/forestry/stewardship.htm.

Winter Activities to Support Forest Management
This winter you might wish to consider the following activities:

1. Enhance your knowledge of forestry by watching videos
2. Consider joining National Woodland Owners Association and accessing its many publications and information for private forest landowners http://woodlandowners.org/
3. Sharpen your chains and conduct equipment maintenance

Tax reform, Casualty Loss
The American Forest Foundation (AFF) is leading an effort to secure a change in the tax law as it pertains to deductions for casualty losses. The current rule provides a deduction to a private forest owner who incurs a sudden casualty to one's forest due to fire, theft, or other sudden and unexpected event. The problem with the current law is that the forest owner may only deduct an amount equal to the lesser of 1) the reduction in timber value, or (2) the owner's tax basis. An owner's tax basis usually equals the amount paid to purchase the tree farm or the market value of the farm when he or she inherited the farm. Remember also that the tax basis of an owner's trees is only part of the total basis, after allocating between land and trees. Due to the slow growth of trees many forest owners end up with a basis substantially lower than the value of the timber at the time of the fire or other casualty.

The AFF supports changing the law to allow forest owners to deduct a casualty loss in an amount equal to the full market value of the timber loss at the time of the casualty, and to ignore the basis limitation. This proposed change in law is fair due to the unique nature of tree farming where an owner might realize one or two sales during his or her lifetime.

Tax Reform – Estate Tax
The heirs of private forest land are suffering from estate taxes. Supporters of the current estate tax seem to believe that anyone with an estate exceeding $5,490,000 should pay a tax upon death: Tell that to children who grew up working on their parents' tree farm for decades, and who now are faced with the estate tax liability when they inherit the farm. The truth for many who inherit forests is that over time their inherited forest land has slowly appreciated, in part from the maturation of trees over decades and also in part from the inherited land joining the ever-expanding wildland urban interface (WUI). They may have been raised on the land or at the very least spent years working the land with their parents. When they receive the inheritance, they know that the timber will produce at most a very modest (sporadic) income, but their goal is to retain the farm in the family for generations to come. Yet, the heirs must report the inheritance value based on its highest and best use. For those in the WUI, this means reporting the value for development. Some heirs must sell their cherished land to developers so they can pay the estate taxes.

Both of the tax reform provisions currently in Congress increase the amount which may be inherited without incurring the estate tax. This will ease the burden on heirs of family forests who seek to maintain the private forest and receive modest income rather than receiving a substantial amount from a sale for development purposes. And, it will preserve family forests.

Forest Reform Legislation

Several bills are pending in Congress dealing with changes to the management of national forests, including changes in the source of funds for suppressing fire. Some of these measures arose from the increase in catastrophic fires. The MFOA website http://www.montanaforestowners.org/ lists the majority of these bills.

The Resilient Federal Forests Act of 2017 (H.R. 2936) introduced by Bruce Westerman (R-AR) passed the House on November 1, 2017. It needs passage in the Senate to become law. You can read more on the MFOA website.

Remember, these bills apply to federal forests, not to the typical nonindustrial private forest landowner (NIPFL). However, the bills are relevant to private tree farmers. Fire, diseases, overcrowding, drought, and other stressors do not recognize legal boundaries. Several private forest owners can attest to this when fires and other catastrophes spread from unmanaged federal land to private forests. Worse yet, NIPFLs may have done everything right. Their thinning and removal of fuels resulted in healthy forests. Yet, a catastrophic fire moves from federal land through private forests with impunity.

Thus, it is in the best interest of private forest landowners to remain involved with U.S. Forest Service, Bureau of Land Management, and tribal management actions. Besides, increased federal management will support the mills and forest professionals upon which NIPFLs depend.

Property Taxation of Structure in Your Forest Used for "associated forest land management"

On November 20, 2017, the Department of Revenue completed its implementation of House Bill 583. Under the new law (and Administrative Rules), forest land under structures whose primary use is "to support the health, maintenance, growth or harvest of the forest" will continue to be taxed as forest land. The land under a residence in your forest can be reclassified, but the land under a shed you have to store your tractor and weed spraying equipment should not be reclassified (if the use meets the definition, above).

Deadlines for Requests for Informal Classification and Appraisal Reviews, Form AB-26

On November 6, 2017, MFOA received notice that the Department of Revenue amended Administrative Rule of Montana 42.20.173 per changes proposed on August 15, 2017. Though the Rule change is not yet shown on the Department of Revenue's website, we offer the new language here for you.

As a review, forest land property is class ten property. Forest lands are assessed on a six year cycle whereas other real estate is assessed on a two year cycle. The valuation of forest lands as of January 1, 2014, was/will be used to determine the Taxable Market Values on the 2015-2020 real estate tax bills. The valuation of forest lands as of January 1, 2020, will be used to determine the Taxable Market Values for the 2021-2026 real estate tax bills.

You may find Form AB-26 at http://revenue.mt.gov/Portals/9/property/forms/AB26.pdf.

Following is the amended language for Rule 42.20.173.

42.20.173 STATUTORY DEADLINES FOR REQUESTS FOR INFORMAL CLASSIFICATION AND APPRAISAL REVIEWS, FORM AB-26\

(1) The valuation cycles for class three, four and ten property are provided in 15-7-111, MCA. The department will accept Requests for Informal Classification and Appraisal Reviews, Form AB-26, for both years of the two-year valuation cycle for class three and four property and for all six years of the valuation cycle for class ten property.

(2) Class three and four property taxpayers dissatisfied with the department's appraised value of their property may submit a Form AB-26 one time per valuation cycle. To be considered for both years of the two-year valuation cycle, the Form AB-26 must be submitted to the local department office in the county in which the property is located within 30 days from the date on the classification and appraisal notice.

(3) If taxpayers of class three or four property miss the 30-day deadline in (2), they may object to the department's appraised value of their property for the second year of the valuation cycle by submitting a completed Form AB-26 by June 1 of the second year.

(4) Class ten property taxpayers dissatisfied with the department's appraised value of their property may submit a Form AB-26 one time per valuation cycle. To be considered for all years of the six-year valuation cycle, the Form AB-26 must be submitted to the local department office in the county in which the property is located within 30 days from the date on the classification and appraisal notice.

(5) If taxpayers of class ten property miss the 30-day deadline in (4), they may object to the department's appraised value of their property for any remaining years of the six-year valuation cycle by submitting a completed Form AB-26 by June 1 of any subsequent year of the valuation cycle.

(6) There will be no retroactive adjustments to the taxable value for prior years. Any adjustments to taxable value will be applied in the tax year for which the Form AB-26 was timely filed and for the remaining year(s) of the valuation cycle. If the property taxpayer submits a Form AB-26 after June 1 of the last year of the valuation cycle, their request shall be deemed untimely with the department.

(7) Taxpayers may file a Form AB-26 in any year of a valuation cycle, but only one time during the cycle, unless a new classification and appraisal notice is generated due to a change in property ownership, classification, or value. Taxpayers will then have 30 days from the date of the new classification and appraisal notice to submit a completed Form AB-26.

(8) During the informal review process, department staff may attempt to contact the property owner by telephone, email, and/or a property site visit to schedule an appointment or request additional documentation. If attempts to contact the property owner are unsuccessful, department staff will send a written request to the taxpayer who will then have 15 business days from the date on the letter to respond. If the taxpayer does not contact the department within the allowed 15 business days, the department will deny the Form AB-26 and send a determination letter to the taxpayer.