AFA Welcomes Tammy Waters as President of the Association

Seth: What would you like our members to know about Tammy Waters?

Tammy: I was born and raised in Ashdown. Following graduation from UCA in Conway, I worked for the Arkansas Sheriff’s Association and the Attorney General’s Office in Little Rock. For the last 21 years, I have worked for Domtar’s Ashdown Mill, currently serving as Communications & Government Relations Manager. I have been actively involved with AFA throughout my 21-year tenure with Domtar serving in various roles – chair of government relations committee, chair of education committee, and an executive committee member.

My husband, Russell, and I live in Texarkana, AR. We have two children – Blake who is 24 and works for a transportation company in Rogers, AR and Emily, who is nearly 21 and is a senior at Ouachita Baptist University in Arkadelphia.

Seth: This is a two-year position. What do you hope to accomplish as president during that time?

Tammy: My goal is to continue to build on the great legacy of the past AFA Presidents who have served before me. Specifically, I would like to see us continue to grow our presence at the state capitol with elected officials and state legislators.

I also think growing our PAC is critically important to strengthen our profile and voice on issues important to our entire membership.

Seth: The last female president to lead continued on page 2

AFA Hosts Most Successful Forestry Day at the Capitol

With the number of exhibitors, traffic through the Arkansas Capitol rotunda, and diners at the legislative luncheon, the Arkansas Forestry Association (AFA) held its most successful Forestry Day at the Capitol event last month.

On the morning of January 25, AFA staff gathered with 10 other organizations at the state capitol building to inform our elected officials on the forestry industry in Arkansas. Each group set up booths around the rotunda to interact with elected officials, their staff, and passersby. Every two years during a legislative session, AFA hosts this event to help build up the relationships between the industry and those shaping the future of our state.

There is nothing like sharing a meal to help build those bonds. After everyone had some time to visit the booths, they all gathered at the Arkansas State University Systems office for a luncheon. About 150 guests were in attendance. AFA Executive Vice President Max Braswell said this year’s meal had the largest contingent of legislators in recent memory.

AFA would also like to thank all of our Forestry Day exhibitors for their participation. Those organizations include:

- Exhibitors set up around the Arkansas State Capital Rotunda for Forestry Day at the Capitol.

continued on page 2
Forestry Day at the Capitol, con’t.

- AFA and the AFA Education Foundation
- Arkansas Center for Forest Business
- Arkansas Department of Agriculture – Forestry Division
- DOD Forestry & Real Estate
- Domtar
- Green Bay Packaging
- Independent Stave
- Quail Forever and Pheasants Forever
- Resolute Forest Products
- UAM College of Forestry, Agriculture & Natural Resources
- U.S. Forest Service

Another special thank you goes out to all of the eight sponsors of the Legislative Luncheon. They include:

Legislators, staff, and exhibitors gather to share a meal together at the Forestry Day at the Capitol luncheon. Our next Forestry Day at the Capitol will take place in 2025. If you are interested in exhibiting or sponsoring that event in the future, please contact Max Braswell at mbraswell@arkforests.org.

Forestry professionals share their story with legislators during Forestry Day at the Capitol.

Waters as President, con’t.

Tammy: I am honored to serve as the second female President for AFA and be in the same category as Peggy Clark – someone so well-known and respected within our industry.

Seth: You have been an active member of the association for a good while, as you mentioned earlier. For a good amount of that time, you have served in a leadership role. Why do you feel it is important to take on that responsibility?

Tammy: Through my other leadership roles with the Association (government affairs, education committee, etc.), I have seen firsthand the impact our Association can and has made on issues that directly affect our membership. I think we can accomplish much more by working together on issues that impact all of us within the industry and I am proud to be a part of these efforts.

Seth: Tammy, I appreciate you speaking with me but is there anything else you want to add as we wrap up?

Tammy: I appreciate the support and look forward to working with the staff and members to continue to make the AFA a voice of the forestry in the state.

A lot is happening at the Arkansas Forestry Association in 2023. The association staff is excited to have Waters as president as we strive for bigger and better things for the forestry sector in Arkansas. Keep an eye out for future publications of AFA’s Tree Talk to learn more about what we have been working on.

Tax Tips for Forest Landowners: 2022 Tax Year

By: Yanshu Li, Tamara L. Cushing, and Gregory E. Frey

The following information is an excerpt from an online publication provided by USDA. To read the full document, visit https://tinyurl.com/22TimberTaxTips.

A s a private forest landowner, you may start to think about timber taxes only after having a timber sale. However, each forest activity you conduct can have tax implications. Generally, all income received is taxable unless excluded by tax law, and nothing is deductible unless a provision allows it. Understanding the forest-related provisions and integrating tax planning into your forest management can help lower your overall taxes and increase disposable income.

The original publication is intended to be an informational and educational resource for you and your tax advisor, but is not intended as financial, tax, or legal advice. Please consult with your tax advisor concerning your particular tax situation. The information is current as of November 28, 2022.

Know the Tax Classification of Your Forest Ownership

The classification of your forest ownership has important implications for applicable tax rates, availability of deductions, and filing requirements. Your forest property generally falls into one of the following three broad categories:

| (1) Personal use or hobby. Your primary purpose for owning the property is for personal enjoyment or hobby, rather than making a profit. Tax deductions are generally limited under this category. |
| (2) Investment. You have a profit motive for the property; however, your activities do not rise to the level of a trade or business (see below). Specifically, your primary purpose for owning the property is to make money (such as timber income or property appreciation), but the activity on the property is not continuous or regular. Tax deductions are generally limited under this category. |
| (3) Trade or business. You have a profit motive and your forestry activities are conducted in a business-like manner. Your involvement in the business may be material participation or a passive activity (determined on an annual basis). “Material participation” implies regular, continuous, and substantial activity and will result in more favorable tax deductions. Losses from passive activities are only deductible against passive income. |

Some farmers may own forests as a small part of their farming business and receive periodic income from timber sales. Tax rules for timber sales generally apply in these cases. In general, income tax provisions do not treat forestry as part of the farming business with a few exceptions.

The Internal Revenue Service (IRS) has specific factors to determine whether an activity meets the for-profit test and the material participation test. Generally, more weight is given to objective facts than to a tax association’s subjective determinations. Record keeping is crucial to support your profit motive and level of involvement.

Understand Timber Sale Income and Recovery of Timber Basis

For a timber sale, income is determined by several factors, including classification of your forest ownership, holding period, and the method of selling timber. You pay taxes on the net, rather than gross, timber sale income. To find taxable net income, subtract the following from gross proceeds:

- Selling expenses (e.g., forester fees, appraisal, attorney).
- State/local severance, harvest, or yield taxes.
- Timber depletion allowance (or allowable timber basis)

Sale of Standing Timber

Usually, income from the sale of standing timber that has been owned for more than 1 year qualifies for the favorable long-term capital gains tax rate (0, 15, or 20 percent—depending on your taxable income). Inherited timber automatically meets the longterm holding period requirement.

Personal-use and investment owners use Form 8949 and Schedule D (Form 1040) to report a lump-sum timber sale. Use Form 4797 (section 1231 gains) and Schedule D (Form 1040) to report the sale if sold under a pay-as-cut contract.

Under section 631(a), gains on the sale of standing timber in a trade or business (for sale or for use) and held for more than one year may be treated as long-term capital gains (section 1231 gain). Both lump-sum and pay-as-cut timber sales qualify. The potential tax benefits include:

1. The gain is taxed at the lower capital gains tax rate rather than the ordinary income tax rate; (2) it is not subject to self-employment tax; and (3) when you have a net section 1231 loss, you can use it to offset your ordinary income. Use Form 4797 (Part I) and Schedule D (Form 1040) to report the sale.

Sale of Cut Timber

You may cut (or have it cut by someone) your timber (or timber held under a contractual right to cut) and sell the cut timber or use it in your trade or business. The income would be taxed as ordinary income unless it has been held for more than one year and a special ‘election’ is in effect. You should make a section 631(a) election by indicating on Part II of Form T and performing the proper tax computation under the provisions of section 631(a) and section 1231. Once you have made the election, it is not necessary to do it again in future years unless you revoke it with consent from the IRS.

Under section 631(a), your net income from the sale of cut timber or further processed timber products includes two portions:

1. Income from holding standing timber is treated as a long-term capital gain. It is the difference between the adjusted basis of the standing timber and its fair market value (FMV) on the first day of the tax year in which it is cut. It is treated as if you have sold the standing timber to yourself when you have it cut.

2. Income from selling the cut timber or further processed timber products is ordinary income. Gain (loss) is determined by subtracting the FMV of the standing timber (from #1 above), harvesting and processing costs, and selling expenses from the sale proceeds.

More information on timber tax tips can be found on the original document. You can find that by visiting tinyurl.com/22TimberTaxTips.