



## COMMON PITFALLS TO AVOID

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### Benefits Far Outweigh the Risks

Owning and caring for a woodland offers nearly unlimited potential for personal satisfaction, family cohesion, public good, and financial gain. Making well-informed decisions and avoiding common mistakes will help maximize the benefits of forest ownership. Focusing, briefly, on possible pitfalls will help to ensure an owner's positive experience when engaging the exciting world of forest management. Most forest owners are easily capable of generating increased benefits from their woodlands. However, as with any endeavor, homework and good professional advice help to avoid regrets. By following a well written and carefully scheduled management plan, most forest owners can attain their goals and objectives.

Forest owners need to know the credentials of people with whom they are working. Not everyone who works in the woods is a forester. Not all forest sites are created equal. Some sites simply will not produce what some forest owners expect from them.

### Some of the Common Pitfalls

#### **Lack of Professional Advice**

Most of us seek trained expertise when managing valuable resources, such as our health, retirement investments, business ventures, etc. What some people underestimate is the complexity and monetary value of forest land. Hiring a consultant forester and other trained professionals to assist with forestry activities is an idea that will pay off in many ways. Many ecological, economic, and socio-cultural factors deserve the sort of expertise most people don't possess.

#### **Timber Sale Without A Written Contract**

Simply put, don't do it. Equally important, be certain that the contract is complete, understandable to you, specifications are clear, and that your wishes are clearly communicated to the logging contractor on more than one occasion. A written contract is an essential tool for just about any service done on your property. Half-page, fill-in-the-blank contracts may not be sufficient. There are several contract examples on-line. It's best to have a forester working for you and review contracts.

#### **Timber Sale Income Tax**

Monies earned from a timber sale are taxable. However, reporting the income as "ordinary income", like wages, will cost more money than necessary. Timber sale income has special IRS treatment that reduces the liability of timber owners. You'll need to become familiar with terms such as capital gains, calculations for basis and depletion allowances, and allowable deductions. Hiring a tax specialist with timber tax experience is highly recommended. Considering tax implications *before* a timber sale is wise. This awareness, alone, could save you thousands of dollars.

#### **Enrolling in Property Tax Programs for the Wrong Reasons**

Michigan has two forest property tax reduction programs for those owners who wish to manage their forest and harvest timber. Owners should not enroll in these programs unless their interests are consistent with those of the tax programs. A forest owner needs to ask himself: "Am I willing to accept some level of government oversight in exchange for the tax break?" Tax program information can be found on the DNR website.



#### **"Select Cutting"**

Selection system silviculture was developed for particular forest types and ecological conditions, such as better quality northern hardwood stands. It is not universally applicable to all forests. Different silvicultural systems have been developed for different forest types, based on forest ecology. Beware of timber buyers who talk about a "select cut" with little more than feel-good explanations. The use of the term "select cut" has been used for diameter-limit cutting and high-grading, both of which are among the worst forest practices in Michigan.



Northern Hardwood Harvest Operation

#### **Incorrect Property Boundaries**

Tales of timber trespass abound from landowners that fail to have their property boundaries carefully re-established. Fence lines are not necessarily property boundaries. Long-standing agreements among former owners may have been appropriate for their time, but social conditions can change. Foresters and loggers are not professional surveyors. Prior to any management activity in proximity to a property boundary, the landowner should make certain, from a legal standpoint, that boundary lines are well marked.

### Assume A Logger Knows What You Want

Loggers have specialized skills and savvy market experience. They are good at what they do but are not mind-readers. It is the landowner's responsibility to make clear their wishes and to be certain they understand comments and terms from loggers, foresters, and other woodland workers. This is part of the reason why an understandable written contract is in place. Well written, comprehensive, enforceable contracts are an essential document for making clear the expectations of all parties. Failure to provide a well-written contract can undermine and greatly diminish many years of forest management efforts. Keep in mind that loggers work for themselves and forestry consultants work for the forest owner.

### Over and Under Estimated Stumpage

Stumpage is the price a logging contractor pays a landowner for standing trees. Stumpage prices vary with species, tree quality, total harvest volume, size class, site conditions, season, market demands, and many other factors. No two timber sales are the same. For instance, the price per cord for aspen pulpwood can vary considerably. Prices for high quality trees will typically vary even more. It would not be unusual for your neighbor to get different stumpage prices for what appears, on the surface, as the same of kind of trees and forest products. Be careful about "price per tree" offer. Taking all the high value trees may not be the best choice for a woodland. Removing low value trees is usually the need.



### Incomplete Forest Management Plans

Essentially, a plan puts your ideas on paper. The expertise of a consulting forester will help you better understand the opportunities and potentials of a woodland. In the years ahead, something may grow important that is not too important now, such as the demand for particular forest products. A comprehensive plan can accommodate flexibility. Of course, plans should be regularly amended and updated every few years. Plans can help forest owners understand implications of different decision paths. For example, a sugar bush can be a wonderful family asset. However, the tapped maples will prevent the trees from becoming high quality sawlogs and veneer logs. Opportunity for future revenue may be compromised.

### Thinking Nature Is Best

Today's forest conditions offer a range of potential benefits for the future. Those benefits can be monetary, spiritual, ecological, or can carry other values. Forest management can enhance and

increase all of these benefits. "Doing nothing" will take a somewhat predictable ecological path that might not be what the well-meaning owner had in mind. Maintaining the forest in a condition of good vigor is the best hedge against future disturbance, such as pest outbreaks or a severe storm. Most woodlands have a variety of management options that can lead to different desirable outcomes.

### Planting Without Preparation

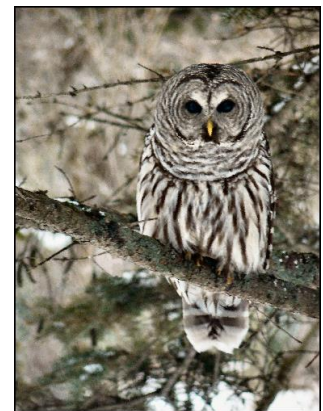
Tree planting is one of those activities that get many owners excited. The excitement is a good thing. Failing to provide adequate site preparation and not planning for post-planting care is not such a good thing. Many planting projects have failed for lack of preparation and follow-through. Planting can be a risky proposition. The seedlings are going to need as much advantage over the elements as you can provide them. See the tree planting bulletin in this series.

### Succession Planning

This idea has to do with inheritance, not the ecological succession of a forest. Passing along your enthusiasm about your land is just as important as passing along the land in better condition than when you acquired it. Involving family in the planning and working of the forest is important. Determining the future ownership is important, and often forces a difficult set of decisions. Fair is not always equal. Working with programs such as "Ties to the Land" will help forest owners think about some of the aspects of ownership that are often neglected.

### Wildlife Considerations

Forest owners often fail to recognize that, in most cases, they are managing habitat and not directly managing the wildlife population. Many forest owners mistakenly believe that timber management and wildlife management are mutually exclusive. Some owners believe that "doing nothing" is the best thing for wildlife. The fact is that management and habitat are closely linked. It's probably equally common to hear owners say that "this practice" or "that practice" is "good for wildlife". That may or may not be true depending upon which species of wildlife are thought about. Most foresters are not trained in wildlife management, even though many of them have practical experience. If a forest owner is primarily interested in habitat management, then the skills of both a forester and a wildlife biologist will often bring the highest level of satisfaction.



Barred Owl