



## North Carolina Department of Revenue

Pat McCrory  
Governor

Lyons Gray  
Secretary

March 12, 2013

### **MEMORANDUM**

To: County Assessors

From: David B. Baker, Director  
Local Government Division

Re: Delaying a Forest Management Plan cutting schedule

Recent declines in the commercial timber market have prompted some landowners to delay their cutting plans, in an effort to maximize their profits. At the same time, county tax offices may question whether this practice is consistent with the statutory requirement that forestland be managed properly in order to receive present-use valuation, especially when an existing Forest Management Plan calls for cutting on a specific schedule. Our position on this issue is that the Forest Management Plan should be considered as a guide, rather than a set of rigid requirements, that a landowner should follow in maximizing the return on his property.

It would be difficult, if not impossible, for a landowner to maximize his return if he were strictly required to cut his trees during a temporary downturn in the timber market. A more reasonable approach would be to permit the landowner some flexibility in choosing when to harvest timber and, if necessary, to amend his Forest Management Plan accordingly. We recommend allowing a window of three to five years' time around the anticipated cutting date, in order to provide the landowner with ample opportunity to obtain the greatest net return from his property, while still meeting the intended goals of the Forest Management Plan. These plans, often developed decades prior to the eventual cutting, are based on the expected growth progression for a stand of trees. They can't possibly account for all variables over the life of the stand, including future market conditions. Again, it makes no sense to require that an absolute timeline be followed.

But how much leeway is too much? At some point, standing timber begins to lose value due to growth limitations, disease, physical damage, and perhaps other issues which could reduce the amount of expected production from the stand. When the forest is in decline, then cutting is probably in order, even if timber prices are not optimal. However, as long as the forest is continuing to grow, there is generally no harm to the trees in postponing a cut for a short time while prices improve, and this choice would also likely improve the overall return on the land.

The Forest Management Plan, along with any amendments, should be the overall guide for determining when to cut. If the county questions the soundness of a landowner's decision to postpone a cut beyond that called for in the plan, then perhaps a review of the property with a forester would be appropriate. We have previously recommended that counties contract with a forest consultant to provide assistance and expertise in conducting audits of forestland. Having such access to forestry experts increases both the knowledge and the public perception of tax office staff.

If you have any questions concerning our recommendations or interpretation of the exemption, please do not hesitate to contact our office at 919-733-7711.