



North Carolina
Forest Service

FORESTRY Leaflets

August 2014

FM-20

Benefits of a Woodland Plan

If you're like most woodland owners, you know the sense of pride you gain from being a good steward of your land. But you may not realize that your woodland property could be working harder for you and your family, providing more of the benefits you value most. It all starts with a plan! Prepared by a forester or other resource professional and customized for your unique property and interests, your woodland plan is an essential roadmap for going forward. Consider the following advantages of seeking the advice of forestry professionals in planning for the care of your woodland property.

Property Tax Savings

Since 1974, North Carolina woodland owners have been eligible for deferment of property taxes through the State's forestry present-use value program (PUV). To be eligible, qualified woodland of 20 acres or more must be actively engaged in the commercial growing of trees under sound management. A written forest management plan (also known as a woodland plan) is a program requirement. For many landowners, the savings in first-year property taxes are more than enough to cover the cost of the woodland plan. For example, a 22-acre tract in the N.C. Piedmont has a market value of \$4,000 per-acre, whereas its forestry valuation is \$325 per-acre, resulting in 90 percent or more in tax savings annually.

Cost Share Assistance

Some forestry practices, such as tree planting require up-front investments. Cost share funding can lower these out-of-pocket expenses. A woodland plan is a requirement to be eligible for most government cost share programs. Utilizing these programs can nearly double the overall return of your forestry investment vs. paying for the full cost by yourself.

Income Tax Savings

Your plan may include guidance on establishing your timber basis (used to determine taxable gains from the sale of timber), reforestation tax deductions and estate planning that can result in significant tax savings. Fees for professional assistance, including costs associated with woodland plan preparation, are a deductible business expense.

Income Generation

Your woodland plan can help focus your financial resources so your woodland management activities and timber harvest practices are linked to your long-term vision for your property. The plan will provide guidance on when to harvest, methods to harvest by, and strategies for regenerating your trees so you can increase the return on your investment.



Improved Wildlife Habitat

Forestry and wildlife management are often compatible and even mutually beneficial. Woodland management activities such as tree planting, thinning and timber harvesting can be tailored to meet specific habitat requirements for game and non-game wildlife.

Your Plan Opens Doors to Professional Forestry Guidance

A woodland plan is a living document that can help you in achieving your short and long-range goals, including leaving a legacy for your family. Woodland plans typically include lists of forestry professionals and service providers who can help you implement the recommendations in the plan. The first step in developing a sound plan is to seek professional advice.

Studies of Southern woodland owners reveal:

- “Most family forest owners have a deep love for their land and a strong desire to do “what is right,” but they need help in knowing what their options are and what is best for them and their woods.” (Butler 2008)
- Landowners who receive professional forestry assistance are more likely to have commercially harvestable timber, improved wildlife habitat, have planted trees and reduced wildfire risk. (Butler 2013)
- Even in the most conservative case, landowners assisted by a forester received 58 percent greater returns from timber sales than landowners conducting their sales without any forestry assistance. (Cubbage et. al. 1996)

Landowners have several sources to turn to for assistance in developing woodland plans, including private consulting foresters and natural resource professionals in both the public and private sectors. One option includes the North Carolina Forest Service, an agency with a long and successful history of providing woodland plans to North Carolina landowners. Whether you choose the North Carolina Forest Service or another forestry professional to prepare your woodland plan, our foresters and rangers stand ready to assist you.

Related resources:

N.C. Forest Service http://ncforestservice.gov/Managing_your_forest/managing_your_forest.htm

Consulting Foresters List, N.C. Forest Service
http://ncforestservice.gov/Managing_your_forest/consulting_foresters.htm

N.C. Association of Consulting Foresters <http://www.acfnc.org/>

Extension Forestry at NCSU <http://forestry.ces.ncsu.edu/forestry-management/>

N.C. Tree Farm Program <https://www.treefarmssystem.org/north-carolina>

Natural Resources Conservation Service, NC <http://www.nrcs.usda.gov/wps/portal/nrcs/site/nc/home/>

This leaflet was prepared in partnership with Extension Forestry at North Carolina State University



The North Carolina Forest Service is an equal opportunity / affirmative action employer. Its programs, activities and employment practices are available to all people regardless of race, color, religion, sex, age, national origin, handicap or political affiliation.
This is a 'print-as-needed' document available at N.C. Forest Service offices and at www.ncforestservice.gov.



College of
Natural Resources



North Carolina Forest Service

LANDOWNER'S GUIDE TO

NORTH CAROLINA'S FOREST DEVELOPMENT PROGRAM



ncforests-service.gov

PROCEDURE

1. Contact your County Forest Ranger or the nearest N.C. Forest Service District Office (numbers below); both are listed in the white pages of the telephone book under "North Carolina, State of." Or go to the N.C. Forest Service website at: ncforests-service.gov
2. A representative from the N.C. Forest Service will meet with you to:
 - Conduct an on-site examination of your property
 - Discuss your management options based on your objectives
 - Prepare a written management plan for your woodland
 - Provide you with an FDP cost share application and any other necessary information
3. Once your application has been signed and submitted, you will receive a written notification of funding. Applications will be considered on a first-come, first-serve basis **and must be approved before the actual work begins.**

North Carolina Forest Service
ncforests-service.gov

Asheville, 220 Sardis Road, 28806, (828) 667-5211
 Elizabeth City, 861 Berea Church Road, 27909, (252) 331-4781
 Fairfield, State Road #1305, 27826, (252) 926-3041
 Fayetteville, 221 Airport Road, 28306, (910) 437-2620
 Hillsborough, 3314 NC 86 South, 27278, (919) 732-8105
 Lenoir, 1543 Wilkesboro Road, 28645, (828) 757-5611
 Lexington, 304 Old Hargrave Road, 27295, (336) 956-2111
 Mt. Holly, 1933 Mountain Island Highway, 28120, (704) 827-7576
 New Bern, 3810 Clarendon Boulevard, 28562 (252) 514-4764
 Rockingham, 1163 North US Highway #1, 28379, (910) 997-9220
 Rocky Mount, 737 Smokey Road, 27804, (252) 442-1626
 Sylva, 443 Highway 116, 28779, (828) 586-4007
 Whiteville, 1413 Chadborn Highway, 28472, (910) 642-5093

FMFDP12-01

REQUEST FOR ASSISTANCE

I would like to have a forester visit me to discuss the planting of trees or management of my existing woodland.

Detach and Return to:

Director
 North Carolina Forest Service
 1616 Mail Service Center
 Raleigh, NC 27699-1616

Landowners can also request assistance by calling their local N.C. Forest Service office.



Name: _____ County: _____

Address: _____

Email: _____ Phone: _____

Comments: _____

Why Plant Trees?

Trees planted today will increase rapidly in value and help your land become more productive. Private, individual landowners own nearly four-fifths of North Carolina's commercial forest land. Half of this land is under-used; only a fraction of the timber the land is capable of supporting is actually being grown.

The **North Carolina Forest Development Program (FDP)** is a continuing effort designed to encourage private landowners to reforest after harvest and to place their idle and under-productive forestland into full timber production. Since 1978, the FDP has reforested and improved nearly 50,000 North Carolina acres annually.

North Carolina's forest industry funds this program through a special assessment paid on all timber harvested in North Carolina. It is administered by the N.C. Forest Service.



The North Carolina Forest Service is an equal opportunity employer. Its programs, services, activities, and employment opportunities are available to all people regardless of race, color, religion, sex, age, national origin, disabilities, or political affiliation."

Who is Eligible for FDP Costshare?

Any private individual, group, association or corporation owning land in NC may apply. To qualify for FDP cost share, an applicant must own land suitable for growing commercial timber. Because the FDP has a 5-acre minimum, at least 4.5 acres or more of work must be completed in order for a landowner to be eligible for their FDP reimbursement. There is no limitation on the amount of land an applicant may own.

A forest management plan approved by a representative of the N.C. Forest Service is required. Such a plan contains a description of present and future courses of action that will be followed to assure forest productivity and environmental protection.

Landowners may write their own forest management plan, but most prefer to have a professional forester prepare their plans. The N.C. Forest Service, consulting foresters and some industry foresters can provide this service.

What Practices are Covered?

Most work needed to establish a new forest that has been addressed in an approved forest management plan is eligible for FDP cost-share. This includes site preparation, the cost of seedlings, and the labor to plant them. Also included are practices designed to insure successful establishment, such as chemical or mechanical release of seedlings and sprouts of valuable species from competing vegetation. These practices apply to the management of hardwoods as well as pines. There are also a number of eligible "forest stand improvement" practices meant to enhance existing woodlands.

Extent of Assistance

A landowner will be reimbursed:

- a percentage (usually 40%) of the actual per acre cost or
- the prevailing rate for that practice, whichever is less.

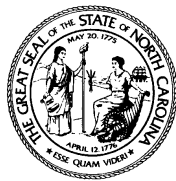
A landowner may receive FDP cost-share assistance on a maximum of 100 acres per year, and the landowner must agree to maintain the new stand of trees for at least a 10-year period.



Can I Receive Both State and Federal Cost-Sharing Funds?

Yes, but not for the same forestry practice on the same acre of land in the same year. The North Carolina Forest Development Program is designed to complement federal cost share programs, not duplicate them.





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.

North Carolina Forestry Programs:
Management Plan Criteria Checklist

(Updated 5/25/12 by the Forest Management Branch of the North Carolina Forest Service)



The following matrix lists five of the more popular forestry programs in North Carolina, along with those programs' required management plan components and resource elements. Several notable *recommended* components/elements are also highlighted. This is meant to be a helpful quick-reference "cheat sheet" for forest management plan writers. Once a plan writer understands their landowner's short/long-term management objectives and the forestry programs they want to participate in, that plan writer could consult this matrix in order to ensure the necessary components and resource elements are addressed in that landowner's plan. Our best attempt has been made to provide an "apples to apples" comparison between the requirements of these programs. As questions arise about this matrix and the listed requirements, plan writers are encouraged to review each of the program websites/guidance documents for clarification (refer to 2nd page for corresponding weblinks).

DISCLAIMER-this matrix has been proofed by representatives from each of the listed programs and represents, to the best of our abilities, the most current and accurate information. Ultimately, however, the responsibility to ensure that a management plan contains the required components for program participation lies with each plan writer.

X = required component * = recommended when present/appropriate

Programs:	NC Forest Service- Costshare Requirements	Forest Stewardship Program Standards	Tree Farm Sustainability Standards	Natural Resources Conservation Service- Forest Management Plan Criteria	North Carolina Forestry Present Use Value (PUV) Tax Program Minimum Standards
Plan Components:					
Property description, including overall present condition and general tract history	X	X	X	X	X
Specific landowner objectives	X	X	X	X	X
Stand description, including both current and desired conditions	X	X	X	X	X
Management & monitoring recommendations / prescriptions for each stand	X	X	X	X	X
Harvest & regeneration details	*	*	*		X
Schedule of recommended management activities	*	X	X	X	X
Tract map and/or photograph	X	X (including vegetative cover types, hydrology and other significant forest-related resources)	X	X	X
Record of landowner activities		*	X	X	
GIS shapefile of tract		X			

Programs: Resource Elements to Address:	NC Forest Service- Costshare Requirements	Forest Stewardship Program Standards	Tree Farm Sustainability Standards	Natural Resources Conservation Service- Forest Management Plan Criteria	North Carolina Forestry Present Use Value (PUV) Tax Program Minimum Standards
Soil	X	X	X	X	*
Water	X	X	X	X	
Biological diversity (ex. high conservation value forests; rare species and communities)		X	X	*	
Aesthetic quality		X	*	*	
Recreation		X	*	*	
Timber	X	X	X	X	X
Fish & wildlife	*	X	*	X	
T&E species	*	X	X	X	
Forest Health (including invasive species)	*	X	X	X	*
Archeological, cultural & historic sites	*	X	X	X	
Wetlands	*	X	*	X	
Range		X			
Fire (including fuel loads and need for prescribed fire)	*	X			
Carbon		X			
Integrated pest management			X		

For additional details on each program's requirements, refer to the following websites:

North Carolina Forest Service- Costshare Requirements:	http://www.ncforestservation.gov/Managing_your_forest/pdf/ComponentsofaMgtPlan.pdf
Forest Stewardship Program Requirements:	http://www.fs.fed.us/spf/coop/library/fsp_standards&guidelines.pdf
American Tree Farm Sustainability Standards:	http://www.treefarmssystem.org/standardsforcertification
Natural Resources Conservation Service- Forest Management Plan Criteria:	http://www.nc.nrcs.usda.gov/programs/index.html
NC Forestry Present Use Value Tax Program:	http://www.ces.ncsu.edu/forestry/pdf/WON/won40.pdf http://www.dornc.com/downloads/av5.pdf http://www.dornc.com/downloads/av4.pdf http://www.dornc.com/publications/puv_guide.pdf



North Carolina
Department of Environment and
Natural Resources

Beverly Eaves Perdue, Governor
Dee Freeman, Secretary



North Carolina
Division of Forest Resources

Wib L. Owen, Director

4/8/2011

From: NC Forestry PUV Inter-Agency Review Committee
To: NC DFR Staff, NC Department of Revenue Staff; County Tax Office personnel
CC: NC Consulting Foresters; Forestry Community Partners
Re: Forestry PUV Program Review Findings and Guidance

Summary:

A review of North Carolina's Forestry Present Use Value (PUV) program was conducted in late 2010 by the North Carolina Department of Revenue (NC DoR). This review involved a statewide survey of county tax assessors, as well as a county-level audit of some forest management plans.

North Carolina Division of Forest Resources (NC DFR) District/Regional/Central Office staff then met with NC DoR to discuss the findings and develop action items that could be taken to improve and strengthen the Forestry PUV Program. This letter summarizes those findings and recommendations.

Forestry PUV Program Review Findings:

- County tax office personnel should enforce the existing law which requires Forest Management Plans to be completed and "in hand" *prior to the January 1st Forestry PUV management plan deadline each year*. This issue was addressed in an NC DoR email on 3/14/2005, as well as an 8/11/2010 memo from NC DoR's Property Tax Division Director David Baker.
- The **commercial timber production** aspect of the Forestry PUV Program needs to be more strongly emphasized to landowners as a requirement to remain eligible for the program.
- Forest landowners should be informed that it is **their responsibility** to submit a completed management plan to their tax office to satisfy the Forestry PUV Program requirements.
- Audited forest management plans were **lacking** some key elements, especially as they related to **harvest schedules, regeneration techniques and timeframes** (see #4 and #5 below).
- An increasing number of county tax offices are auditing their forestry PUV program participants in order to determine whether or not program requirements, plan recommendations and deadlines are being met. NC DFR offices may provide information to assist this effort (ex. records of landowner activities from its "4220 database system" that may support the claim that a landowner has been practicing forestry), but this auditing is the responsibility of each tax office.

1616 Mail Service Center, Raleigh, North Carolina 27699-1616

Phone: 919 – 857-4801 \ FAX: 919 – 857-4802 \ Internet: www.dfr.state.nc.us

AN EQUAL OPPORTUNITY \ AFFIRMATIVE ACTION EMPLOYER – 50% RECYCLED / 10% POST CONSUMER PAPER

Forest Management Plan Key Elements:

The North Carolina Department of Revenue's "AV-5 form" ("Application for Agriculture, Horticulture and Forestry Present Use Value Assessment") can be downloaded at <http://www.dor.state.nc.us/downloads/property.html>

Key elements in a forestry PUV plan include the following:

1. **Management and Landowner Objectives Statement** – Long range and short range objectives of owner(s) as appropriate.
2. **Location** – Include a map or aerial photograph that locates the property described and also delineates each stand referenced in the "Forest Stand(s) Description/Inventory and Stand Management Recommendations" (item 3 below).
3. **Forest Stand(s) Description/Inventory and Stand Management Recommendations** – Include a detailed description of various stands within the forestry unit. Each stand description should detail the acreage, species, age, size (tree diameter, basal area, and heights), condition (quality and vigor), topography, soils and site index or productivity information. Stand-specific forest management practices needed to sustain productivity, health and vigor must be included with the proposed timetable for implementation.
4. **Regeneration-Harvest Methods and Dates** – For each stand, establish a target timetable for harvest of crop trees, specifying the type of regeneration-harvest (clear cut, seed tree, shelter-wood or selection regeneration systems as applicable).
5. **Regeneration Technique** – Should include a sound proposed regeneration plan for each stand when harvest of final crop trees is done. Specify intent to naturally regenerate or plant trees.

Steps to Improve Forestry PUV Program Delivery:

- A. Communications:** Good lines of communication must be maintained between NC DFR, NC DoR, landowners/agents, consultants, etc. When a landowner/agent requests a forest management plan, they should be advised up front of potential delays due to work loads and backlog situations. *If the plan request can't be serviced in time to meet the local tax office's Forestry PUV program deadline, the landowner/agent should be notified of this and other plan development options should be considered.* Non-DFR options may include private consulting foresters, industry foresters, extension foresters, other resource professionals, and even the landowner if they choose and are able to produce a plan that meets the minimum requirements. The NC DFR's statewide list of consulting foresters may be found at:

http://www.dfr.state.nc.us/Managing_your_forest/consulting_foresters.htm

DFR staff should communicate with their local county tax office and advise them of backlogs and how long it will take to service plan requests. This information may be helpful as each county tax office determines how their tax re-assessments are handled and possibly "distributed" throughout the year vs. all done at once.

Screening Landowner Requests: When receiving landowner/agent requests, management plan writers should determine their short-term and long-term management

objectives. Resource professionals should advise landowners/agents that not all forest properties are appropriate for the PUV program if the objectives do not meet the basic purposes of the program. As it is currently written, forest landowners who are not willing to harvest their timber at the appropriate time do not belong in the NC Forestry PUV Program. Forestry PUV plan objectives must include the eventual harvesting and regeneration of the stand in order to meet the commercial production requirements of the program. If this is not one of their objectives then the landowner should be advised of other possible land management options that might better fit their goals.

- B.** Ensure that Forestry PUV plans include all of the required key elements previously listed in this memo.
- C.** Provide landowners/agents additional guidance on the forestry PUV program by utilizing the “Woodland Owner Notes #40”. This document provides specific details regarding Forestry PUV program eligibility, ownership requirements, management plan components, application procedure, etc. This document, which will be updated in spring 2011, is available at the following web site:

<http://www.ces.ncsu.edu/forestry/pdf/WON/won40.pdf>

Landowners can be given this document or website when they make an initial inquiry regarding the forestry PUV program so they have a better understanding of what the program requires for enrollment.

Two additional websites that provide even more detailed information on the forestry PUV program are as follows:

http://www.dor.state.nc.us/publications/puv_guide.pdf

http://www.dor.state.nc.us/downloads/uvab_manual_2011.pdf

The NC DFR website is also being enhanced to offer a Forestry PUV Program toolkit that resource professionals and landowners/agents may access for additional forest taxation guidance.

Future efforts by the Forestry PUV Inter-Agency Review Committee* will likely include an inter-agency forest taxation webinar meant to increase the shared understanding of this program and what all of our roles are in ensuring its success.

*Forestry PUV Inter-Agency Review Committee Members include:
NC DFR Staff: Dave Andres, Sean Brogan, Ron Myers, Bill Powell
NC Department of Revenue Staff: Michael Brown, David Baker
NCSU Extension Forestry Staff: Mark Megalos

The North Carolina Forest Service

IE0114



WHAT WE CAN DO FOR YOU

The N.C. Forest Service (NCFS) exists to help landowners ensure North Carolina's forests stay healthy, productive and beautiful for generations to come.

Woodland Management Planning

Woodlands can provide a wide range of environmental and financial benefits to landowners and society. Forests that are managed with the advice of a forester or ranger often yield greater returns to its owners. Our foresters and rangers can meet with you to discuss your management goals, then examine your woodlands to assess your land and its resources. For a nominal fee we can then provide you with a written woodland management plan that will help you make the most of your property.

Financial Assistance

Financial assistance through cost share programs may be available to landowners interested in starting a new forest or improving an existing one. Some of our forestry programs can help landowners save 40% to 60% of the associated costs. Our staff can also provide you with critical tax information that can result in significant annual savings.

Tree Seedlings

You can purchase superior North Carolina native tree seedlings from the NCFS Tree Nursery. Call them at 1-888-628-7337 or visit nc-forestry.stores.yahoo.net.

Insect & Disease Control

The NCFS monitors the health of forests statewide and helps to minimize significant threats to our forest resources. Landowners can contact their County Forest Ranger if they suspect pests are impacting their woodlands or shade trees. When insect or disease outbreaks occur, NCFS foresters and rangers can help landowners determine how to salvage damaged timber and install control measures to prevent additional damage.

Other Services

- Education and outreach
- Timber marking
- Wildfire suppression
- Wildfire prevention
- Recreational and Educational State Forests
- Prescribed burning
- Emergency response

...and much more

NCFS DISTRICT OFFICES:

District 1: Asheville	(828) 667-5211
District 2: Lenoir	(828) 757-5611
District 3: Rockingham	(910) 997-9220
District 4: New Bern	(252) 514-4764
District 5: Rocky Mount	(252) 442-1626
District 6: Fayetteville	(910) 437-2620
District 7: Elizabeth City	(252) 331-4781
District 8: Whiteville	(910) 642-5093
District 9: Sylva	(828) 586-4007
District 10: Lexington	(336) 956-2111
District 11: Hillsborough	(919) 732-8105
District 12: Mt. Holly	(704) 827-7576
District 13: Fairfield	(252) 926-3041

Central Office (Raleigh) (919) 857-4801

Let Us Help You!

If you'd like to know more about these and other NCFS programs and services, contact your county ranger or forester. They live in your area and can give you expert advice on maintaining your forest land.

The agency maintains field offices in all North Carolina counties. Contact information can be found in the white pages of the telephone book under "North Carolina, State of ...", or under your county government listings, or online at <http://ncforestservice.gov>.

ncforestservice.gov

NORTH CAROLINA
DEPARTMENT OF AGRICULTURE
& CONSUMER SERVICES





Woodland Owner Notes

North Carolina's Forestry Present-Use Valuation (PUV) Property Tax Program

Qualified North Carolina owners of soundly managed commercial forestland have been eligible for property tax reductions since 1974 through the state's forestry present-use property tax program. To be eligible for Forestry Present Use Valuation, qualified forestland must be actively engaged in the commercial growing of trees under sound management (NC General Statutes 105 277.2- 277.7). Commercial growing of trees will entail a harvest as a thinning, partial, or complete harvest of trees (as prescribed in the forest management plan filed with the county tax office).

Numerous legislative changes, court decisions, and property tax commission rulings have altered the PUV program over the years. This document covers the major provisions of the law, forestry qualifications, and eligibility requirements for deferring property taxes through the Forestry PUV program.

This publication provides a brief overview of a complicated law. The interpretations are based on administrative guidance from the N.C. Department of Revenue as of January 2011. This general discussion is not meant to address every specific or detailed question related to this law. For answers to specific questions, contact your county property tax office, a tax attorney, or the state Department of Revenue.

WHAT IS FORESTRY PRESENT-USE-VALUE?

Forestry PUV is the value of a tract of land used as forestland, based solely on its ability to produce income from timber growth, assuming an average level of management. A county tax assessor calculates the associated property tax by applying the current tax rate

to the use-value of the land that is producing timber, rather than to the market value, which is based on the highest and best use of the property. In many counties the tax savings from enrolling in the PUV program are substantial and allow landowners to maintain their forestland despite development pressure.

ACREAGE REQUIREMENTS

The qualifying piece of land must have at least 20 acres of forestland in timber production. This constitutes the "parent tract." Once the 20-acre parent tract qualifies, smaller tracts may be brought under use-value as long as they are under the same ownership and current use, are under sound forest management, are in the same county or within 50 miles of the parent tract if the smaller tract is not in the same county, and have satisfied the ownership requirements noted below. Forestland is not required to produce annual income—a stipulation for agriculture and horticulture properties.

WHO QUALIFIES?

- An individual.
- A business entity. Eligible entities include certain types of corporations, limited partnership, a general partnership, or a limited liability company having as its principal business the commercial production of forest products and whose members are individuals or relatives of a member actively engaged in the business. Generally, business entities are not allowed to lease the land to another party for forestry purposes. However, in the limited circumstance in which all the members of the business entity are relatives, the business entity may lease out the land and still meet the “principal business” and “actively engaged” requirements.
- A trust. The trust must be created by an individual who transfers the land to the trust. Each of the beneficiaries must be currently entitled to receive income or principal and must meet at least one of the following criteria:
 - The beneficiary is the creator of the trust or a relative of the creator.
 - or
 - The beneficiary is a second trust whose beneficiaries are currently entitled to receive income or principal. All beneficiaries are either the creators of the first trust or relatives of the creators.
- A testamentary trust. This trust must be created by an individual. Land transferred to the trust must qualify in the creator’s name. At the time of the creator’s death, the creator must have no relatives, and the trust income, minus reasonable administrative expenses, must be used exclusively for educational, scientific, literary, cultural, charitable, or religious purposes.
- Tenants in common. Each tenant must be an individual, a qualifying business entity, or a trust as described above.
- Shareholders of a qualified corporation, partners of a general or limited partnership, and members of a limited liability company.

OWNERSHIP REQUIREMENTS

- Land where the applicant resides can qualify immediately.
- All other lands must have been owned for the preceding 4 years to qualify.

SOUND FOREST MANAGEMENT REQUIREMENTS

Sound management is a program of production designed to obtain the greatest net return from the land consistent with its conservation and long-term improvement. § (105-277.2(6)). A county tax assessor will require a landowner to apply for acceptance to the PUV program and submit information, including a sound, written, forest-management plan, to verify that the property qualifies for and continues to qualify for present-use valuation. Further, the assessor will expect the owner to implement the practices (or attempt to implement the practices) outlined in that forest management plan. Key elements of a written forest management plan are:

- A statement of management and landowner objectives.
- Location maps and photographs of forestland.
- A forest inventory/description that includes age, size, soil productivity, and condition of each delineated stand and corresponding to a map of forestland in timber production.
- Prescribed practices for forest management and stand management recommendations.
- Harvest and regeneration objectives with timetables of expected timber harvests and recommended regeneration systems to be implemented once the final harvest of crop trees is complete.

The forest management plan must be detailed enough for the assessor to determine if the forestland is in fact being managed soundly for commercial timber production. The plan must set forth reasonable and prudent management practices to be used in producing commercial timber, and the plan must be implemented over the stated life of the plan. Because forests and landowner objectives change, plans may have to be modified; if modified, a copy of the amended document should be sent to the county assessor’s office.

(To review the North Carolina State PUV application, go to the Department of Revenue website and view Appendix AV-5 in the Present-Use Value Program Guide: http://www.dor.state.nc.us/publications/puv_guide.pdf Note-certain counties may have specific applications that differ from this state application. Check with your county tax office prior to filing an application. Note:

- 1) Your county tax officials will be reviewing landowner objectives to ensure that commercial timber production is the primary goal.

- 2) PUV program expectations are production-focused; therefore, sound, active management for future commercial products (timber, pulpwood, or fiber) at the greatest net return consistent with land conservation and improvement is implied.
- 3) The signed application for PUV and its accompanying forest management plan constitute an agreement between the landowner and county tax office. Landowners who fail to implement their management activities in a timely manner may risk program disqualification, deferred tax reimbursement, and interest penalties.

APPLICATION PROCEDURE

A forest landowner must apply at the county tax office for forestry PUV consideration. The application must be submitted to the tax assessor's office in the county where the property is located. The landowner should be in compliance as of January 1 of the year of application. The application forms may be obtained from county tax assessors, and the application must be filed on a "timely" basis, which means:

- It must be filed during the regular listing period of the year in which the benefit of the classification is first claimed. The regular listing period (unless extended by a majority vote of the county commissioners) falls during the month of January and ends with the close of business on January 31. New owners of enrolled PUV property or existing enrollees can apply for PUV consideration within 60 days of a property transfer. If either of these deadlines is missed, individuals may request a listing extension in writing for "good cause." §105-307(c) The new owner will have to meet all the requirements for initial qualification and may or may not be immediately eligible for that year depending on the specifics of the situation.
- If the assessed value (market or PUV) of the property changes, as is often the case for periodic property tax revaluations, the application must be filed within 30 days of the date on the county tax assessor's "notice of a change."
- A complete forest management plan should be in place by January 1 of the year the application for the Forestry PUV program is made. Most county tax offices require the management plan to be filed when the landowner's Forestry PUV application is submitted. If forest landowners need a forest management plan for their property, they will need to begin the process of requesting/preparing for such a management plan early enough to meet the deadline. Refer to this document's Summary section for information on finding a Forester to assist with this process.

ENSURING COMPLIANCE

Non-compliance by landowners of all requirements for the Forestry PUV Program can result in removal from the program. Landowners must continually make efforts to implement their sound forest management plans, as PUV Program parcels may be reviewed for compliance annually. If circumstances change in a manner that justifies variation from the original forest management plan recommendations, the plan should be updated and submitted to the tax assessor's office to maintain PUV compliance. Compliance reviews are discussed further below. If your land is no longer eligible for the program, you are required to notify the county assessor to discontinue your land in the program. Common reasons for disqualification from the Forestry PUV Program include:

- Landowner is unable or unwilling to follow the recommendations in the forest management plan—especially pertaining to the harvesting of timber
- Transfer of land to someone other than a close relative.
- Change in land use or acreage.
- Land does not remain under a sound forest management plan or program.

DISQUALIFICATION — PENALTIES FOR CHANGE IN LAND USE

If a property is disqualified from the Forestry PUV Program, a "rollback" provision is triggered. This action rolls back the deferred taxes. **The owner will be taxed for the current year at market value, and deferred taxes** (the difference between what would have been collected at market value minus what was actually collected under the use-value assessment) **will be owed, plus interest on the deferred amount for the previous three tax years.** Substantial penalties may be levied if the landowner failed to notify the assessor of the changes that triggered the disqualification.

COMPLIANCE REVIEWS

Under N.C. General Statute 105-296 (J), at least one eighth of the parcels classified for taxation at PUV are to be reviewed annually by county tax assessors to verify that those parcels still qualify for the classification. Generally, the assessor is authorized to request from the owner any information needed to verify that the property still qualifies. The purpose of the review is to objectively evaluate continued compliance with Forestry PUV program requirements and ensure fairness to all taxpayers. **Properties not meeting the qualifications of ownership, size, or sound manage-**

ment will be disqualified, and the rollback penalty will be applied. County tax offices may employ additional personnel to assist in the evaluation of PUV program compliance when needed.

APPEAL PROCESS

If a tract loses its Forestry PUV classification, the landowner may appeal the county tax assessor's decision. According to N.C. General Statute 105-277.4 (b1), "Decisions of the assessor regarding the qualification or appraisal of property under this section may be appealed to the county board of equalization and review or, if that board is not in session, to the board of county commissioners. Decisions of the county board may be appealed to the "property tax commission."

FORESTRY-USE-VALUE SCHEDULES

County tax assessors have the authority to set Present Use Value Program tax rates. Because of this, the tax rates vary from county to county, which can create a frustrating situation for landowners. In 1985, the General Assembly created the Use-Value Advisory Board (UVAB) to compile and distribute annually to all counties a manual of recommended Present Use Value schedules, which are available for public use at the tax assessor's office. The schedules are based on six major land resource areas (MLRAs), five net income ranges (based on income potential from reasonable, prudent, average timber management regimes for preferred and/or predominant tree species on identified soil series), and a statutory 9 percent capitalization rate (see "Capitalization Rate" section below).

One purpose of the manual is to improve consistency, at least between counties within the same MLRA. The majority of counties have historically used the recommended use-value schedules in some fashion. Often, they will consolidate the ranges, pick one average figure for forestland, or otherwise adapt the figures to the local situation. However, county assessors also are fully authorized to ignore the manual and develop their own schedules.

WHAT IS CAPITALIZATION (CAP) RATE?

"Cap rate" is an interest rate used to convert the net annual income of forestland to use-value. The net annual income divided by the cap rate equals use-value. For example, if a soil type is capable of producing \$36 net income per acre per year, then the value of the land, using a 9 percent (0.09) cap rate, is: $\$36/0.09 = \400 use-value per acre.

Another way to look at it, in terms we are more familiar with, is that if you put \$400 in the bank at 9 percent annual interest, after one year, you would earn \$36 in interest.

WOODLAND AS PART OF AN AGRICULTURAL OR HORTICULTURAL UNIT

Agricultural or horticultural land classifications may include woodland that is part of a farm or horticultural unit. This woodland must be appraised under the use-value schedules as woodland if it is equal to or greater than 20 acres. The woodland is not required to be under sound forest management (have a forest management plan) if it less than 20 acres or if it is determined that the best use for the tract is to protect from wind erosion, protect water quality, or act as a buffer from adjacent agricultural, horticultural, livestock or poultry operations.

TAX TREATMENT OPTIONS FOR LANDOWNERS — NOT INTERESTED IN COMMERCIAL TIMBER PRODUCTION

Some landowners will find that their land management objectives do not closely match up with the Forestry PUV program requirements for commercial timber production. These landowners may want to pursue one of the alternative land and tax management options described briefly below:

The Wildlife Conservation Land Program (WCLP)

Since 2010, a new program for the taxation of wildlife conservation has been available for North Carolina landowners. Landowners must have at least 20 acres of contiguous qualifying acreage. No more than 100 acres of an owner's land in any one county may be classified as wildlife conservation land. To qualify, the land must meet the following criteria:

- Managed under a written wildlife habitat conservation agreement with the North Carolina Wildlife Resources Commission (NCWRC)
- Agreement must be in effect as of January 1 of the year in which the application is submitted
- The land must have been classified under the present-use value program when the conservation agreement was signed
- Landowner must protect an animal species that "lives on the land" and is listed on the North Carolina List of Endangered, Threatened and Species of Special Concern published by NCWRC, or
- Conserve any one of the following priority animal habitats:
 - Longleaf pine forest
 - Stream and riparian zone
 - Early successional habitat
 - Rock outcrop
 - Small wetland community
 - Bat cave

This is a rapidly-developing program, and interested landowners are encouraged to work directly with the NCWRC to ensure full understanding and compliance. For more information check the NCWRC website: http://www.ncwildlife.org/Wildlife_Species_Con/WSC_Land_Program.htm or call the WCLP program coordinator at (919) 707-0050

DONATED CONSERVATION EASEMENTS

Certain conservation easements donated on PUV land can continue to qualify for deferred property tax treatment subject to the restrictions listed below:

Property owners who convey a conservation easement that permits *continued commercial farm or forest production* under sound management will still qualify for present-use value tax deferment. Landowners about to enter a conservation agreement are advised to share potential language with their county tax assessor to get an opinion about continued PUV qualification before finalizing the agreement.

Since January 1, 2010, North Carolina landowners who have placed a conservation easement on qualifying present-use value acreage can continue in the PUV program without regard to actual production or income requirements, provided the following requirements are met:

Property is in present-use value on the date the easement is granted

The property is legitimately receiving present-use value

The easement is enforceable and meets the qualifications for the North Carolina Conservation tax credit http://www.onencnaturally.org/pages/CTC_Overview.html

The taxpayer may not have received more than 75 percent of the fair market value of the donated property in compensation

For conservation easements entered into before the January 1, 2010, timeframe, the easement must have been fully donated to qualify for this special exception.

Complete details are available in the "PUV guide, Chapter 8. Conservation Easements" http://www.dor.state.nc.us/publications/puv_guide.pdf

SUMMARY

Reduced property taxes are a benefit available to qualified owners of soundly managed commercial forestland. North Carolina's forestry present-use-value law has been in existence for 30 years and is still evolving. If you have questions related to the Forestry PUV Program, contact a tax attorney, your county tax assessor, or the state Department of Revenue.

If you have questions about locating a forester to prepare a forest management plan for Forestry PUV or other management needs, please visit the following websites:

- The Association of Consulting Foresters of America Inc: www.acf-foresters.org
- North Carolina Forest Service: www.ncagr.gov
- North Carolina State Board of Registration for Foresters: www.ncbrf.org
- North Carolina Cooperative Extension: www.ces.ncsu.edu/depts/
- North Carolina Forestry Association: <http://www.ncforestry.org>

It is also permissible for landowners to prepare their own forest management plan, but it must meet all the sound Forestry PUV Program's requirements noted above.

Prepared by

Mark A. Megalos, Robert Bardon, *Extension Forestry Specialists*
and Rick A. Hamilton, *Emeritus Extension Forestry Specialist*

5,000 copies of this public document were printed at a cost of \$626, or \$.13 per copy.

Published by

NORTH CAROLINA COOPERATIVE EXTENSION

Distributed in furtherance of the acts of Congress of May 8 and June 30, 1914. North Carolina State University and North Carolina A&T State University commit themselves to positive action to secure equal opportunity regardless of race, color, creed, national origin, religion, sex, age, veteran status or disability. In addition, the two Universities welcome all persons without regard to sexual orientation. North Carolina State University, North Carolina A&T State University, U.S. Department of Agriculture, and local governments cooperating.



Steven W. Troxler
Commissioner

North Carolina Department of Agriculture
and Consumer Services
N.C. Forest Service



100 Years of Protecting, Managing & Promoting North Carolina's Forests



Scott Bisette
Assistant Commissioner

Types of Woodland Management Plans, as Noted in the NC Forest Service's "Forest Management & Urban Forestry Accomplishment Records Program" (a.k.a. "4220 Program")

Updated 8/2013

Forest Management Plan is a detailed plan that provides written prescriptions for specific forestry activities that meet the landowner's objectives. These typically address management on more than one stand. These plans may not meet all the criteria of a Forest Stewardship plan. "Forest Management" Plans typically include plans generated from forestry present use-value requests.

Regeneration Plan is a brief plan written with detailed instructions to complete reforestation or afforestation; tree planting, direct seeding or natural regeneration.

Replanting Plan is a brief plan written with detailed instructions to replant an area that had previously been planted but the planting failed.

Practice Plan is usually a brief plan written with detailed instructions to complete a particular forestry practice, treatment, or operation (other than regeneration) such as, thinning, prescribed burning, TSI or other activity. This plan should provide the landowner with specific step-by-step instructions on implementing a forestry, or forest resource, project.

Pre-Harvest Plan is a detailed, written plan prepared to guide a logger, landowner or other involved party through placement of roads, skid trails, log decks, stream crossings and other aspects of a successful harvest, with minimal impact on the soil and water resources of the property.

Rehabilitation Plan is a detailed, written plan prepared to identify problems on harvest sites and provide detailed correction recommendations. This can include plans designed to correct a BMP or FPG problem.

Forest Stewardship Plan is a multiple resource management plan, written by or under the guidance of a natural resource professional, which conforms to the State Forest Stewardship guidelines and standards, and meets the objectives of the owner.

Forest Stewardship Plan Revision is the revision of an existing Stewardship plan, regardless of how simple or complex the revision. These revisions should occur every ten years.

Urban Plan is a written, site specific plan, including a general or detailed map, that addresses the objectives, management, and cultural practices needed to maintain healthy trees in a developed or partially developed area. Written recommendations for a single tree or group of trees with the same problem / concern should be recorded as a Shade Tree Assist – Written.