

BURNS FORESTRY NEWSLETTER

NEW BIOREFINERY IN BON WIER, TEXAS

USA BioEnergy, through its subsidiary, Texas Renewable Fuels, announced the development of an advanced biorefinery in Bon Wier, Texas. The facility will convert 1 M green tons of wood waste into 34 M gallons annually of clean-burning renewable transportation fuel. Future expansion is expected to double the plant’s production capacity to 68 M gallons.

This \$1.3 billion project is projected to bring 142 new jobs at completion. In addition, the biorefinery’s utilization of wood from forest thinnings and wood waste will benefit the forest industry in Southeast Texas. The company benefits from state and federal credits and tax incentives to incentivize development.

GP EXPANDS ITS PINELAND MILL

Georgia-Pacific announced plans to replace its stud mill in Pineland, Texas with a new sawmill. The new operation will include the addition of a new debarking, log processing line, a continuous dry kiln, and a new high-speed planer. The project will expand manufacturing capacity and modernize the lumber facility. The lumber mill will undergo \$120 million in additions and improvements in a modernization effort that will also increase the mill’s overall production.

Georgia-Pacific also recently completed a \$7-million renovation project on its Diboll Lumber Mill. The project focused on the mill’s boiler reliability and maintenance and rebuilding two drying kilns.

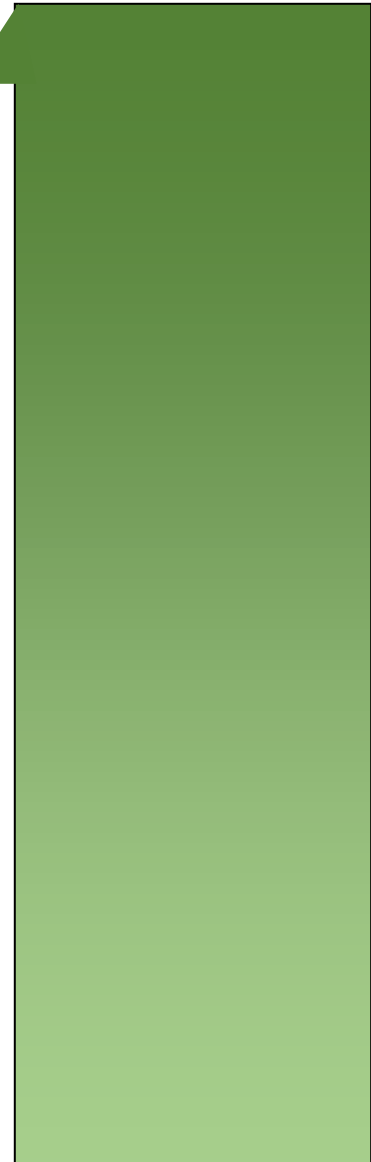
DEQUINCY LUMBER MILL

The first loads of lumber went out for sale at Interfor’s DeQuincy’s Lumber Mill in Louisiana in February. The company estimates the mill will eventually produce 200 million board feet of lumber.

In May of 2020, Georgia Pacific announced that they would be idling the mill, laying off nearly 200 employees. In July of 2021, however, Interfor bought the mill. The company has over 125 employees and is still hiring.

SE WOOD PELLET FACILITIES

Several large-scale wood pellet facilities have been established in the southeastern coastal region in the last decade to meet the growing demand from the United Kingdom and European countries. The United States exported over 7.2 metric tons of wood pellets to overseas markets in 2020.



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SE WOOD PELLET FACILITIES (Cont.)

While it appears that the demand for wood pellets has driven pine pulpwood prices up a bit, it has shown no discernable rise in hardwood prices. Hardwood, however, represents only about one-fourth of the total stock for wood pellet mills. Although the use of roundwood pulpwood is relatively low and low-valued timber and sawmill residues are not sufficient to meet higher demand, there may be reluctance on the part of landowners to supply logging residues.

Bioenergy from wood chips is the least expensive and least greenhouse gas-intensive, with the lowest abatement cost among nine agriculture and forestry feed stocks. This argues for woody biomass to substitute for coal at power plants. So, it is thought that the wood pellet industry may have an even bigger impact in the future.

TEXAS PROPERTY TAX SYSTEM

The Texas property tax system has specific dates for timber growers. It has four main phases: appraisal, equalization, assessment and collection. During the appraisal phase (January 1- May 15), the appraisal districts appraise property, make determinations on exemption applications and submit records to the appraisal review board (ARB).

During the equalization phase (May 15- July 25), the ARBs hear protests and approve the appraisal record. July 25-October 1 is the assessment phase when the taxing units receive the appraisal roll from the chief appraiser and adopt tax rates, calculate levies, and send out tax bills to property owners. The taxing units collect the taxes, applying any penalties and interest to delinquent taxes in the collection phase (October 1- January 31). A calendar of property tax deadlines is available at comptroller.texas.gov/taxes/property-tax/calendars/index.php.

IRS TIMBER BUSINESS CATEGORY

For federal income tax purposes, there are three classifications for non-industrial private forest landowners: (1) investment property, (2) personal-use property and (3) business property.

Generally, the most favorable tax treatment is for the 'timber trade or business' category. Active landowners in this category can deduct all their forest management expenses against any source of income, and all tax credits can offset taxes owed on any income source. Otherwise, expense deductions and tax credits can only be applied to income received from timber activities.

There are two types of business property -active (the better of the two) and passive. To be active, you must materially participate in the business that includes 500 hours of documented time, field work, record keeping, continuing education, etc. If you do not materially participate in the business, you have a passive business and your losses from this business are not deductible against income of nonpassive source (passive loss rules).

To qualify as a 'timber trade or business', the timberland owner or married couple must meet one of the following requirements:

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IRS TIMBER BUSINESS CATEGORY (Cont.)

- Yearly participation in the activity exceeds 500 hours
- Personal participation in the activity substantially constitutes all material participation in the tax year
- Participation in the activity exceeds 100 hours in the tax year and no other individual participates more
- Aggregate participation in all “significant participation activities” - including actual timber management, exceeds 500 hours. A significant participation activity is one in which participation exceeds 100 hours in the tax year.
- Material participation has occurred in the activity for any five of the preceding ten tax years.
- Based on facts and circumstances, participation in the activity was on a regular, continuous, and substantial basis for at least 100 hours during the tax year, no other participated more, and a paid manager was not employed.

The following items are needed to establish your timberland as a business:

- A forest management plan with the intention to manage for production.
- The fair market value (FMV) of all the assets of the timber business (valued individually) - land, timber, equipment and depreciable real estate improvements (fences, culvert, bridges, etc.).
- The cost basis of each asset class
- Record of operating expenses
- Record of reforestation expenses

You must, of course, determine whether the tax savings are enough to offset the amount of time and money necessary to set up the record keeping system required.

FOREST HISTORY SOCIETY

The Forest History Society - located in Durham, North Carolina - is the only organization dedicated to the collection, preservation, and dissemination of forest history around the world. The Society’s free research portal contains databases listing more than 45,000 searchable topics and more than 23,000 viewable historic photographs. It can be accessed through its website at www.foresthistory.org.

COVID-19 AND DEER

A few months after the COVID-19 pandemic hit the United States in the winter of 2020, the virus began showing up in captive animals. Researchers subsequently inoculated white-tailed deer fawns in their laboratory with SARS-CoV-2 and found the animals did contract the virus and transmit it to other deer. Researchers then found that 37% of deer taken in Texas tested positive for the antibodies. The presence of antibodies, however, isn’t conclusive evidence of infection.

While it isn’t know if any humans have contracted the virus from deer, it appears that deer can probably get it from humans. It is thought that deer might be able to contract the virus through environmental contamination such as through infected wastewater.

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