



# FORESTS FOR THE BAY

Craig Highfield, Program Manager



# MD Family Forest Legacy Planning



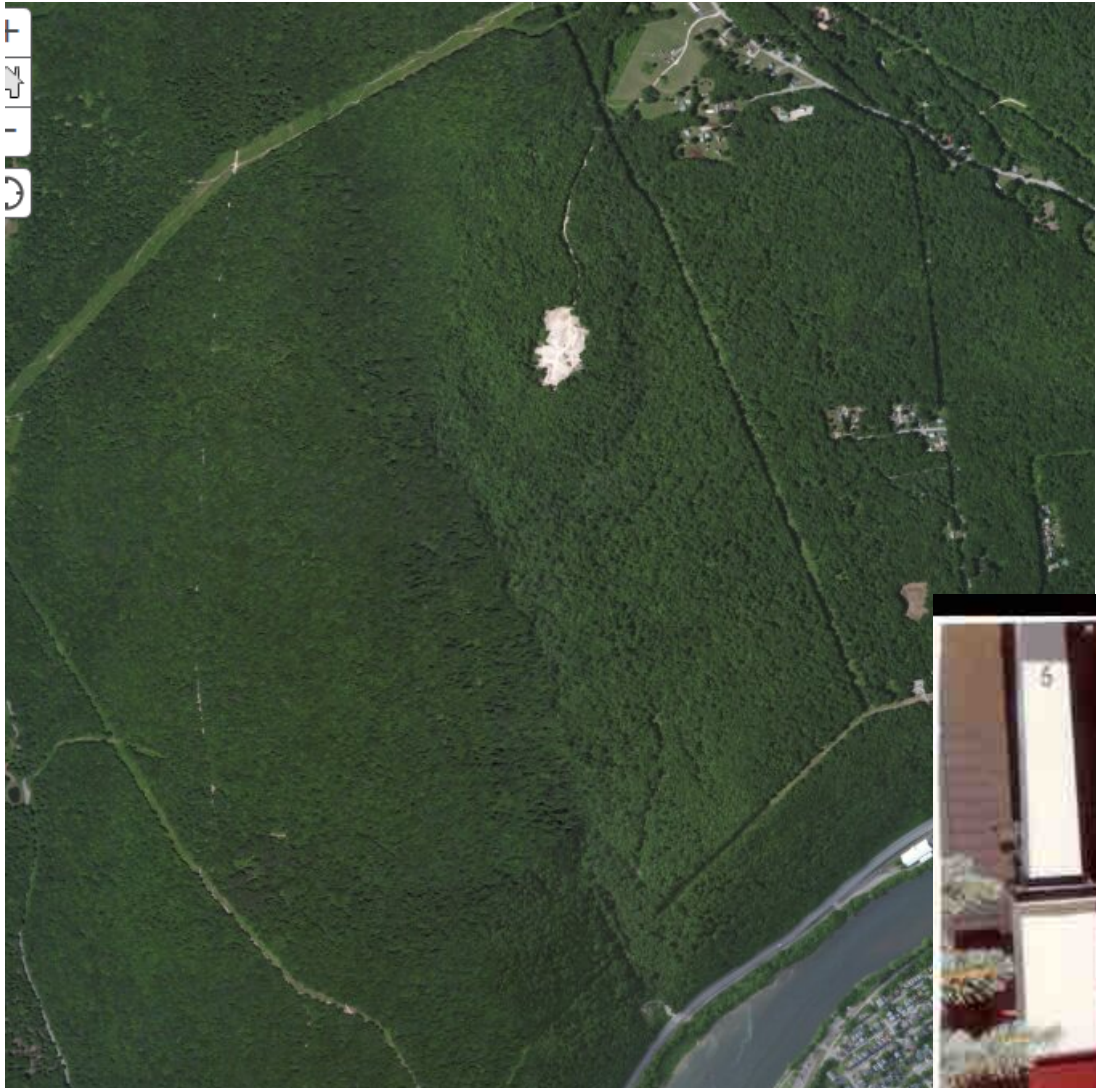
Your Guide to  
Succession Planning  
for an  
Orderly Transition

“How sharper than a serpent's tooth it is to  
have a thankless child!”

– William Shakespeare, *King Lear*



















# **Benefits of Owning Woods**

**Wood Products, Non-timber forest products, Easements, Hunting Leases, etc**

**Higher Property Values**

**Recreation**

**Clean air and water**

**Peace and quiet**

# Drinking Water



# Chesapeake Bay






# Wildlife



# Chesapeake Bay Watershed



-  Chesapeake Bay Watershed
-  State Boundary
-  Chesapeake Bay



Data Source: Chesapeake Bay Program  
For more information, visit [www.chesapeakebay.net](http://www.chesapeakebay.net)  
Disclaimer: [www.chesapeakebay.net/learn/faq.htm](http://www.chesapeakebay.net/learn/faq.htm)

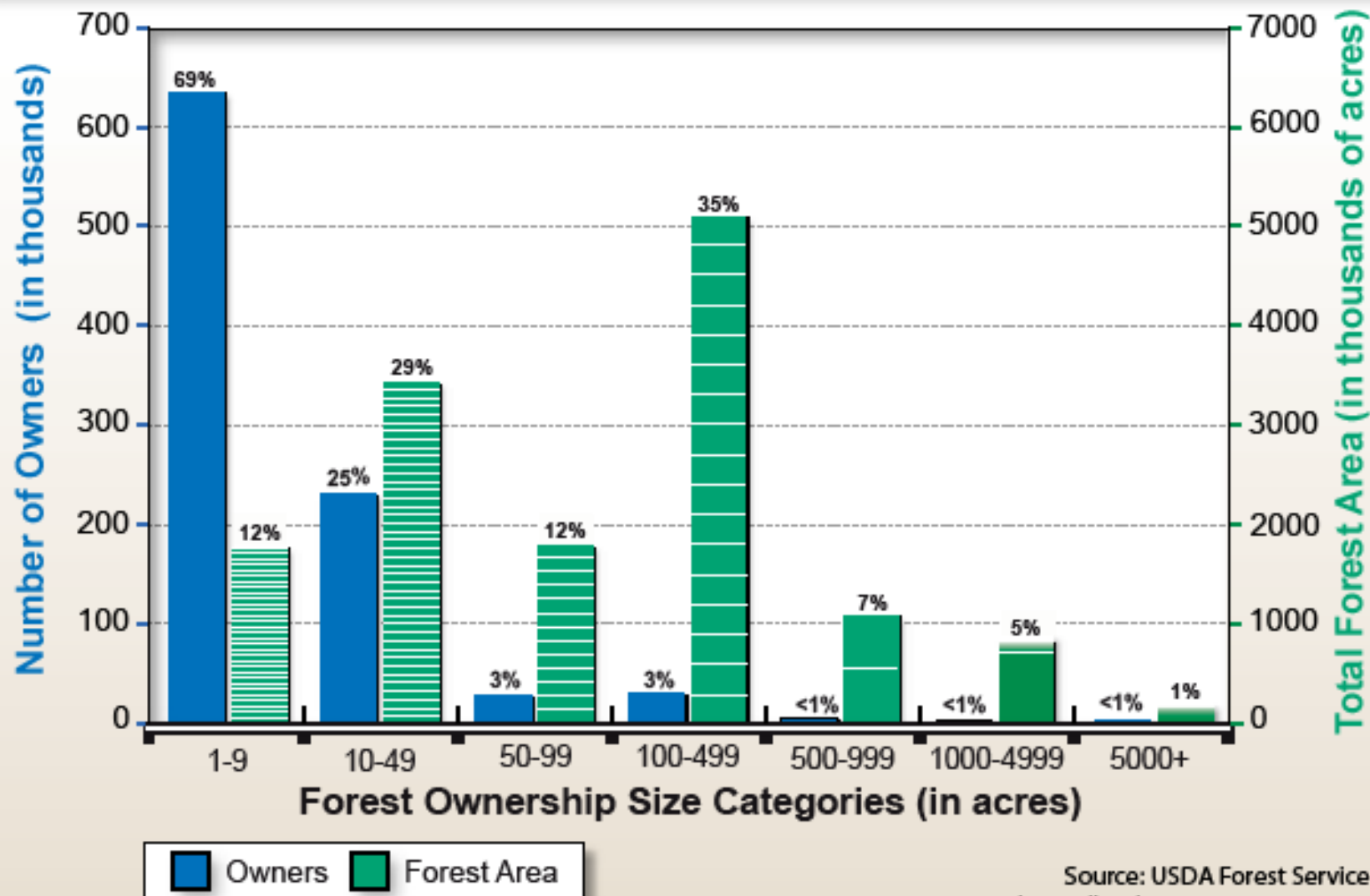




# Private Woodlands do the Public Good

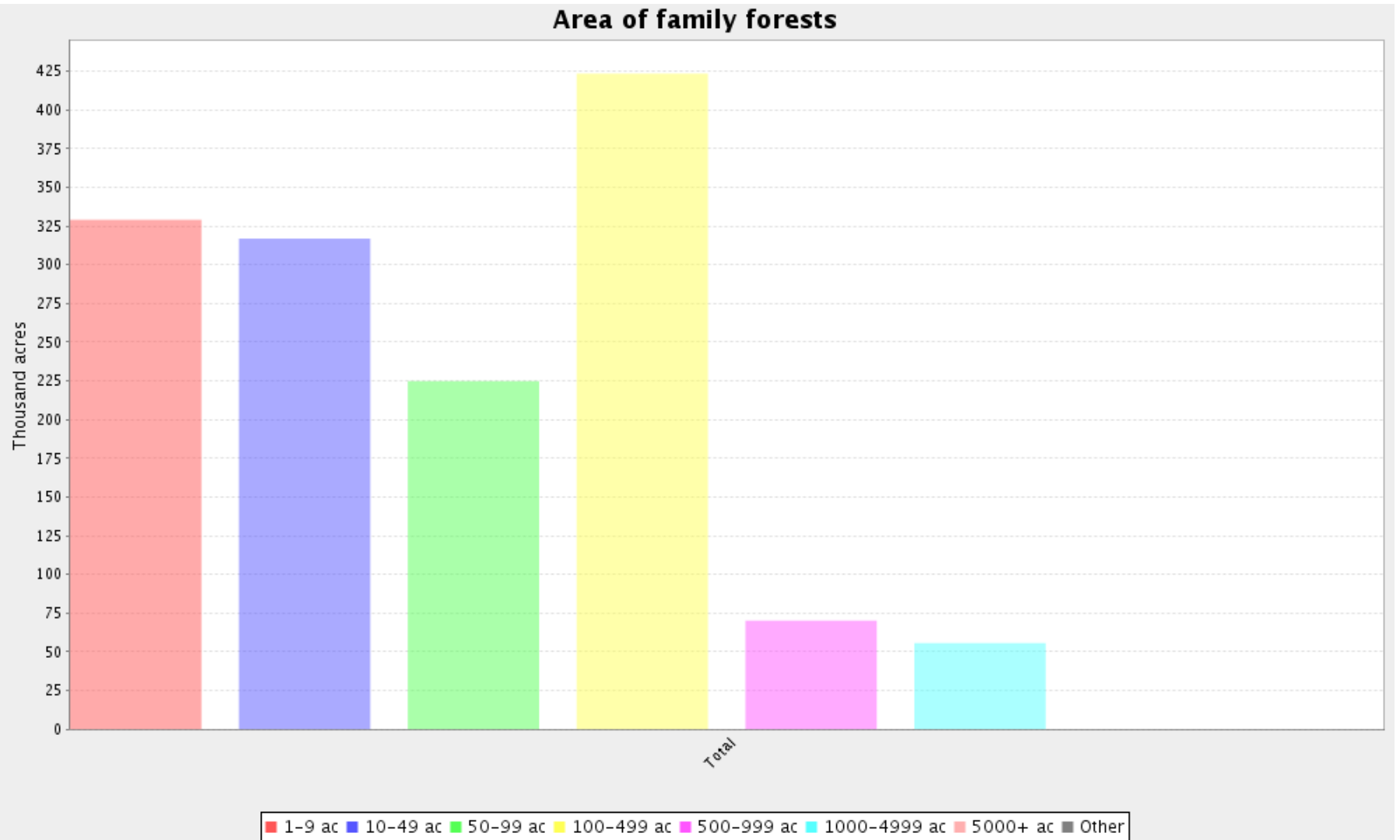


# Family Owned Forests in the Chesapeake Bay Watershed, 2003

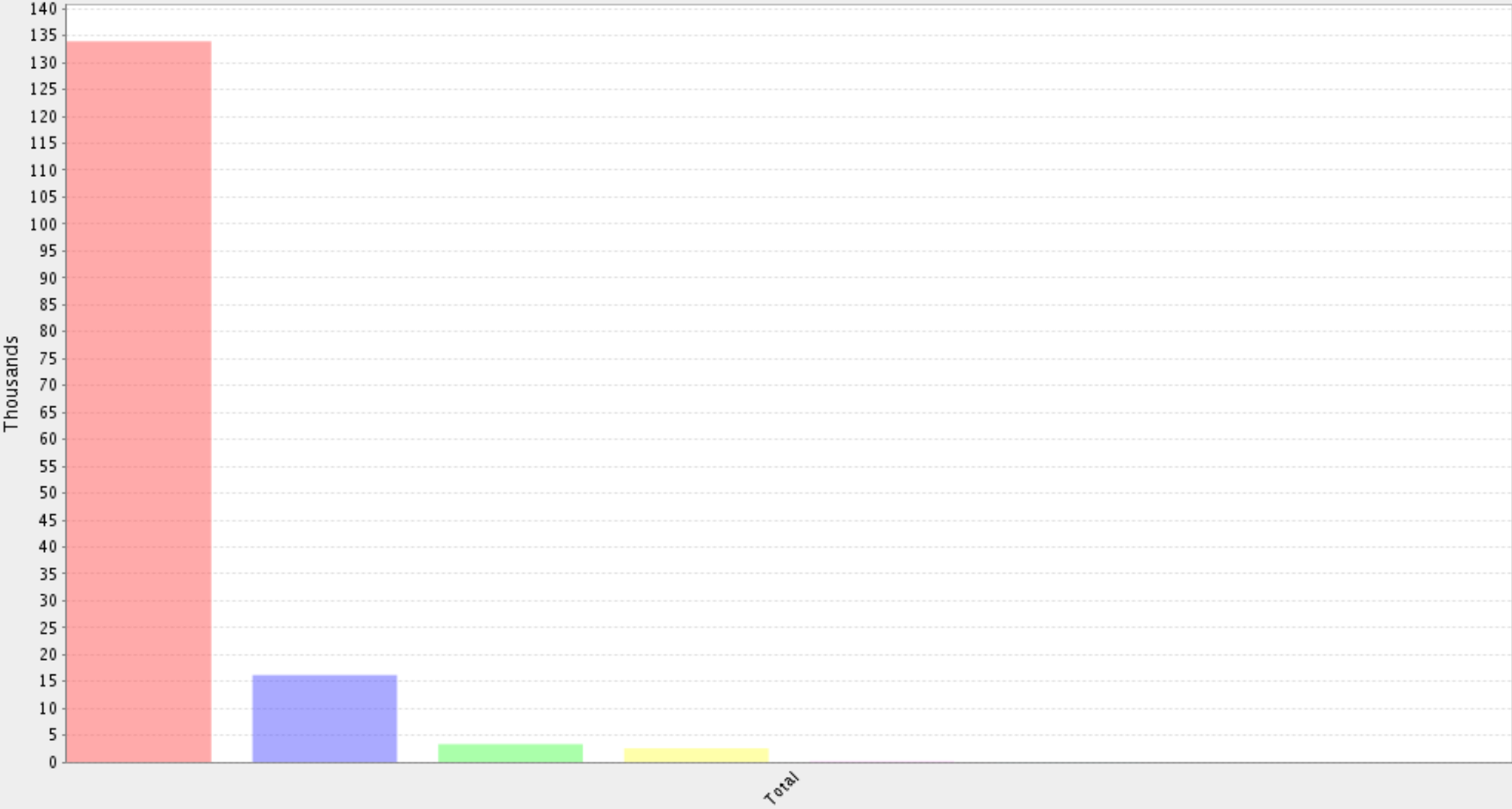


Source: USDA Forest Service  
National Woodland Owners Survey 2005

# National Woodland Owners Survey – Maryland



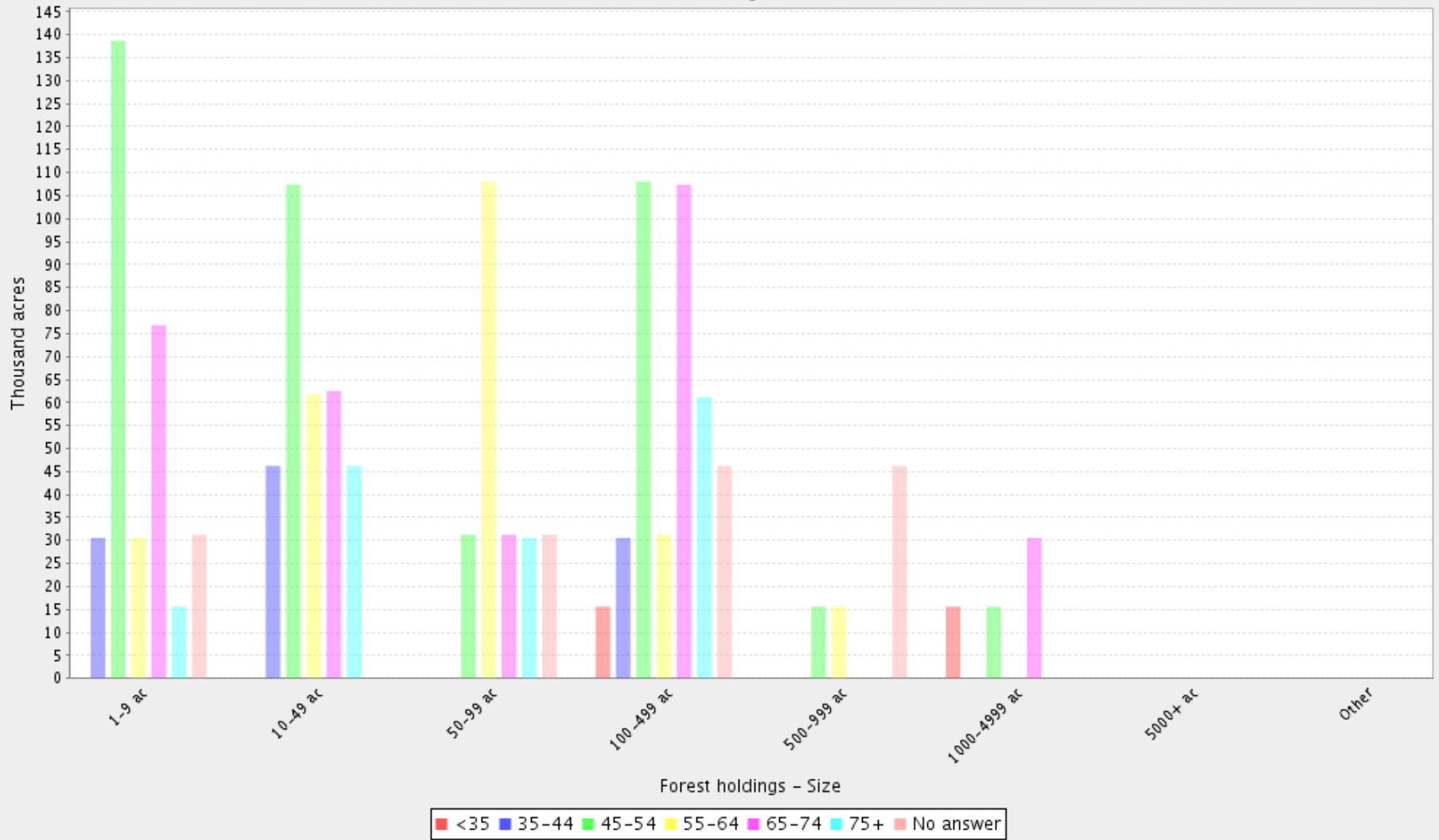
# Number of family forest owners



1-9 ac 10-49 ac 50-99 ac 100-499 ac 500-999 ac 1000-4999 ac 5000+ ac Other



## Area of family forests



# Intergenerational Land Transfer

- Forestland is typically the highest valued asset
  - Difficult to divide evenly among children
- Children may have different ideals/concerns
  - Forestry v. Preservation v. Pay-out
  - Maryland v. California
- Family Tension
  - Children just do not get along

# Things you can do with your property

1. Sell it
2. Donate all or part of it
3. Divide among your heirs
4. Leave it all to one heir
5. Keep intact and leave it to all your heirs

# The Triple Crown

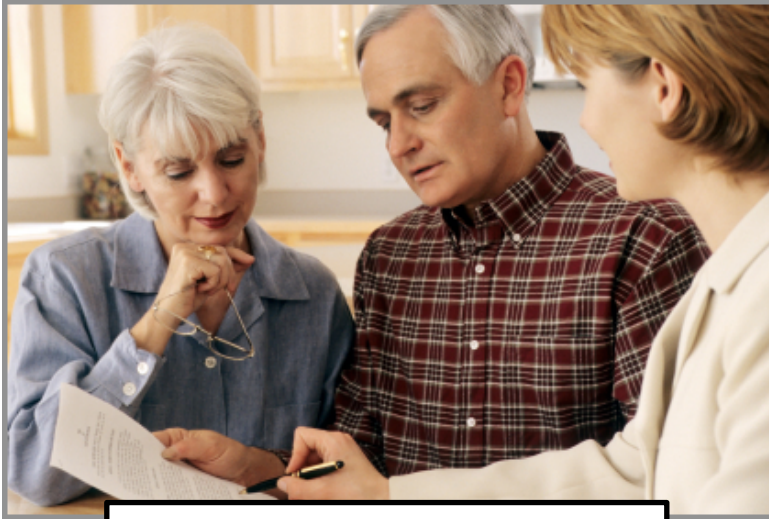


Good planning begins  
with the end in mind





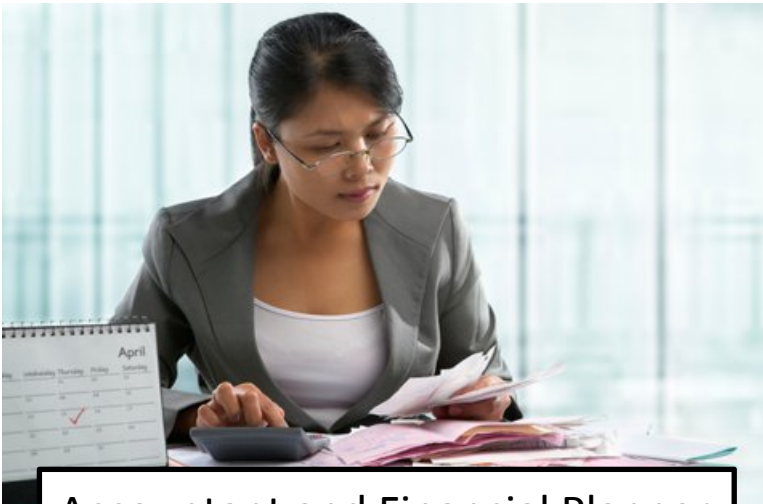
# Get your team together



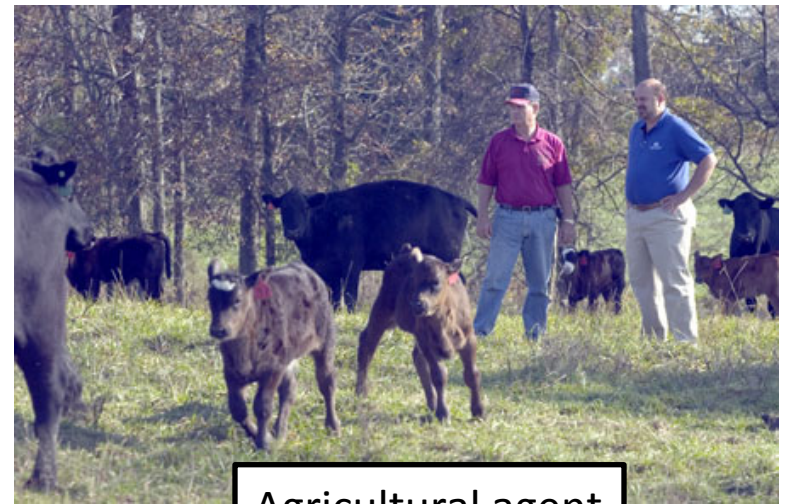
Estate Planning Attorney



Forester



Accountant and Financial Planner



Agricultural agent

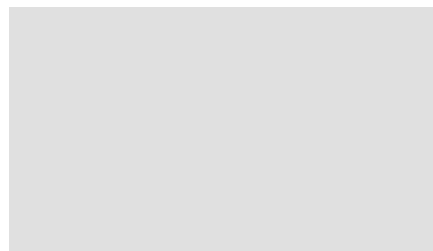


# 1) Forest Stewardship Planning



# FOREST STEWARDSHIP PLAN

FOR



LOCATION

11904 Old Marlboro Pike  
approximately 1.25 miles west of Ritchie Marlboro Road  
Upper Marlboro, MD

MD Grid 128,776N/417,554E  
NAD83, Meters

IN

Prince George's County



## INTRODUCTION

The Chesapeake Bay Foundation owns 281.18 acres of land, 87.5 acres of which are wooded, off of Old Marlboro Pike in Upper Marlboro, Maryland. The landowner wishes to manage the property for a future timber crop, harvest timber, improve soil & water quality, provide wildlife habitat and provide for passive recreational opportunities. These goals correspond to the Stewardship objectives of **forest products** (primary objective) and **soil & water conservation** (secondary objective). This Forest Stewardship Plan will recommend practices that will be a balance of the needs of the landowner and of the forest. The farm manager, Mr. Michael Heller, can be reached at 301-351-4940.

### Stewardship/Landowners Objectives

- A. Fish & Wildlife
- B. Natural Heritage and Recreation
- C. Soil & Water
- D. Forest Products





**Legend**

- Property Line
- Blue Line Stream
- Stand Boundary Line
- Non-Blue Stream Stream



This map is for planning purposes only.  
This map is not a boundary survey

Forest Stewardship Map  
for  
CBF - Cloggett Farm  
County: Prince George's  
Woodland Acres: 87.5  
Scale: 1" = 990'  
Prepared By: Rick Long  
Date: October 22, 2009







## STAND DESCRIPTION AND RECOMMENDED PRACTICES

**STAND NUMBER:** 1

**AREA ACRES:** 44.6

**DOMINANT OVERSTORY SPECIES:** tulip poplar, sweetgum, sycamore

**DOMINANT UNDERSTORY SPECIES:** spicebush, paw-paw, beech

**TIMBER SIZE:** sawtimber (67%), poletimber (22%), small tree (11%)

**AGE:** uneven (35-70 years)

**STOCKING:** overstocked (128%)

**GROWTH POTENTIAL:** excellent

**SOIL:** Adelpia Fine Sandy Loam (AdB2), Mixed Alluvial Land (MwA), Shrewsbury Fine Sandy Loam (SmA), Westphalia Fine Sandy Loam (WaB2, WaC2, WaC3, WaD3)

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### **RECOMMENDATIONS/PRACTICES:**

This 44.6 acre stand is composed of tulip poplar (36%), sweetgum (16%) and sycamore (9%). Red maple, elm, beech, red oak and hackberry are scattered throughout. Growth rates are good (9.5 years to grow 2.0 inches in diameter) and the stand has an excellent growth potential (site index average of 123 feet for tulip poplar). The tree density (or stocking) in this stand is

## STAND DESCRIPTION AND RECOMMENDED PRACTICES

**STAND NUMBER: 1**

**Maintain existing riparian buffer  
and manage invasive plants**

**•WIP and/or EQIP**

**AGE:** uneven (35-70 years)

**STOCKING:** overstocked (128%)

**Increase buffer size up to 100 ft**

**•CREP or WIP/EQIP**

rewsbury Fine  
C3, WaD3)

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### **RECOMMENDATIONS/PRACTICES:**

This 44.6 acre stand is composed of tulip poplar (36%), sweetgum (16%) and sycamore (9%). Red maple, elm, beech, red oak and hackberry are scattered throughout. Growth rates are good (9.5 years to grow 2.0 inches in diameter) and the stand has an excellent growth potential (site index average of 123 feet for tulip poplar). The tree density (or stocking) in this stand is

## STAND DESCRIPTION AND RECOMMENDED PRACTICES

**STAND NUMBER:** 2

**AREA ACRES:** 17.2

**DOMINANT OVERSTORY SPECIES:** tulip poplar (29%), red oak (23%), white oak (17%)

**DOMINANT UNDERSTORY SPECIES:** greenbriar, beech, musclewood

**TIMBER SIZE:** sawtimber (68%), poletimber (22%), small tree (10%)

**AGE:** uneven (40-80 years)

**STOCKING:** overstocked (144%)

**GROWTH POTENTIAL:** excellent

**SOIL:** Adelpia Fine Sandy Loam (AdB2), Sandy Land, Steep (SaE), Westphalia Fine Sandy Loam (WaD3)

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### **RECOMMENDATIONS/PRACTICES:**

This 17.2 acre stand is composed of tulip poplar (29%), red oak (23%) and white oak (17%). Hickory, red maple, blackgum, sweetgum and beech are scattered throughout. Growth rates are good (10.5 years to grow 2.0 inches in diameter) and the stand has an excellent growth potential (site index of 118 feet for tulip poplar and 85 feet for red oak). The tree density (or stocking) in this stand is high in relation to maintaining the optimum growing space per tree. As trees in the stand continue to grow larger, growing space per tree will continue to decrease. This

## STAND DESCRIPTION AND RECOMMENDED PRACTICES

### Commercial Timber Harvest

- Reduce stocking and best opportunity for income
- Selective Tree Harvest – *mixture of high and low quality trees*
- Working with your own consultant

**AGE:** uneven (40-80 years)

**STOCKING:** overstocked (144%)

### Timber Stand Improvement (non commercial thinning)

**MDFS – designate/mark trees - \$12/acre**

- **WIP and/or EQIP - 90%**

#### RECOMMENDATIONS/PRACTICES:

This 17.2 acre stand is composed of tulip poplar (29%), red oak (23%) and white oak (17%). Hickory, red maple, blackgum, sweetgum and beech are scattered throughout. Growth rates are good (10.5 years to grow 2.0 inches in diameter) and the stand has an excellent growth potential (site index of 118 feet for tulip poplar and 85 feet for red oak). The tree density (or stocking) in this stand is high in relation to maintaining the optimum growing space per tree. As trees in the stand continue to grow larger, growing space per tree will continue to decrease. This



## MANAGEMENT PRACTICE SCHEDULE

Completion Date	Practice	Stand	Acres
October 2014	Commercial Timber Harvest Selection	2, 3	29.4
Landowner's Discretion	Firewood Removal	6	10.4
Optional	Riparian Forest Buffer Planting	1	15.0-18.0
Continuous	Riparian Forest Buffer	1	44.6
Continuous	Maintain Property Boundaries	All	87.5
Continuous	Monitor for Insect & Disease	All	87.5
Continuous	Maintain Roads and Trails	All	87.5
October 2024	Re-examine to Update Management Recommendations	All	87.5

# Sharing in the cost of stewardship

(because your woods provide for the public good)



Woodlands Incentives Program  
65% of practice costs



Environmental Quality Incentives  
Program (EQIP) – Practice payment



Conservation Reserve Enhancement  
Program (CREP) 87.5% practice costs  
& annual rental payments

# Eligible cost share practices for your woods

- Forest Plans
- Invasive plants
- Prescribed burning
- Riparian forest buffer
- **Tree planting**
- Habitat management
- Harvest preparation
- Tree pruning
- Forest Stand Improvement (thinning trees)
- **Golden Wing Warbler**



# Generate Income: Other



# Woodland Tax Incentives

- Forest Conservation Management Agreement
- Woodland Assessment program

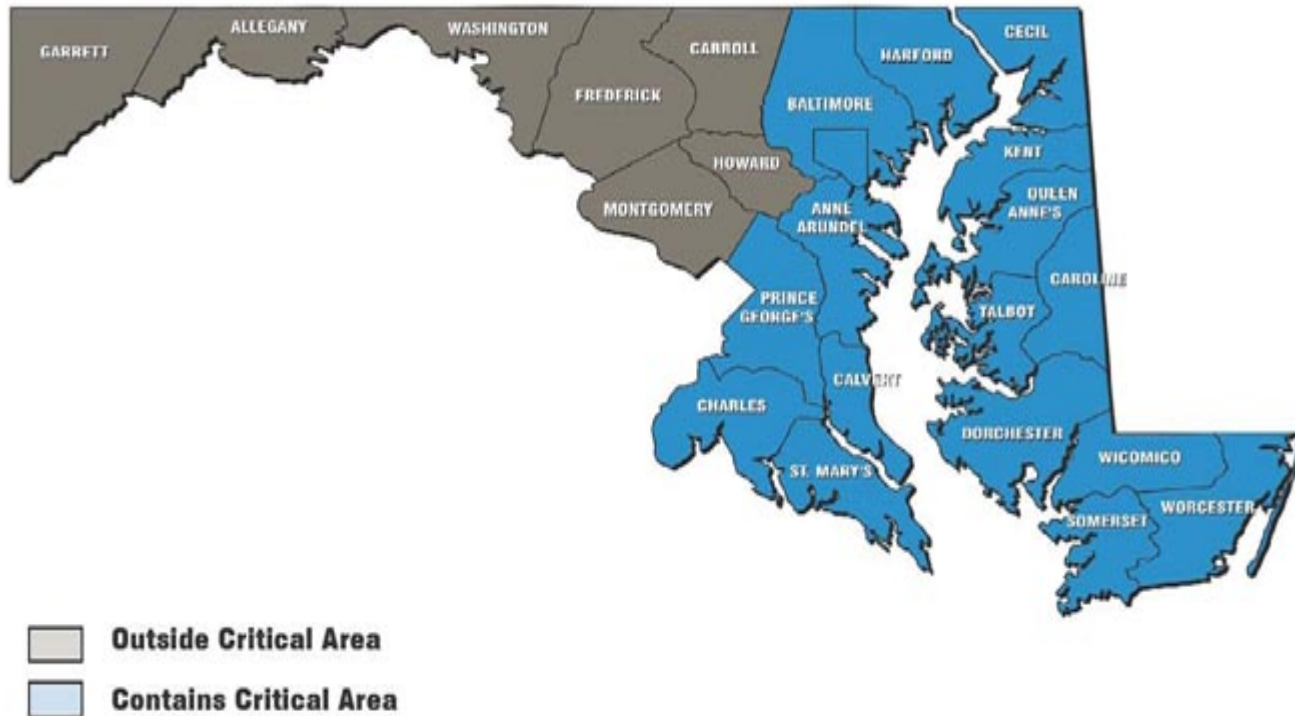
# THE MARYLAND FOREST CONSERVATION ACT:

the law that conserves forests during development

# 1991



# Critical Area Preservation Act





## 2) Succession Planning



# Equal vs. Equitable



Atelier L. Lammerson  
Steinheim, Westf.



# Ties to the Land

## Your Family Forest Heritage



Your Guide to  
Succession Planning  
for an  
Orderly Transition



# Look to the Future: Establish Your Vision and Goals

Name *Joe Hagen*

Date \_\_\_\_\_



1 = My property is strictly a financial asset.

10 = My property is a priceless family heirloom.



1	2	3	4	5	6	7	8	9	10
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My number on the Heirloom Scale **9**

My thoughts about why:

*Want very much to see family legacy continue.*

*Want my lifetime of work to bear fruit for many generations.*

# Get Started: Estimate the Value of Your **Estate**

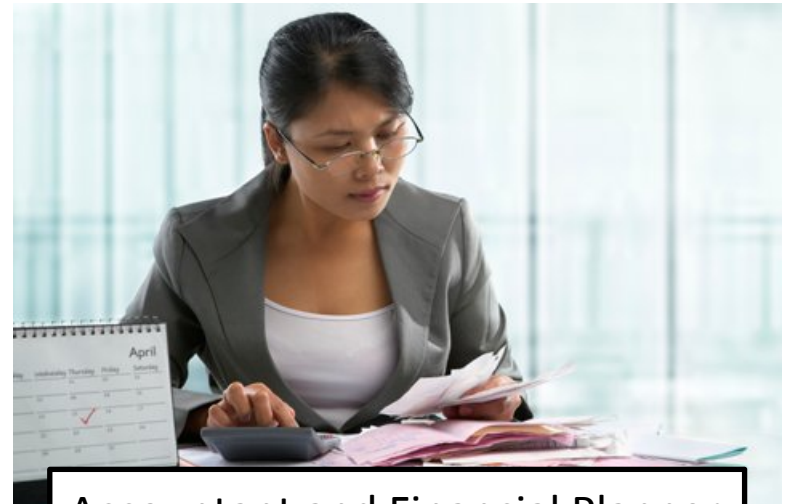
- Real Estate
- Buildings
- Natural Resources
- Bank accounts
- Investments
- Life Insurance
- Retirement
- Vehicles
- Machinery/equipment
- Personal items



# 3) Estate Planning



Estate Planning Attorney



Accountant and Financial Planner



# BEWARE ESTATE TAX CONCERNS

- Assets are taxed at their fair market value and not actual use value  
“Dirt rich and cash poor”
- Tax Relief does exist in the Code but may not be enough
- Estate taxes are generally due within nine (9) months of date of death  
cash payment = liquidity issues

# Estate Tax Exemption

- Federal Estate Taxes (all assets)
  - \$5,430,000 for individual
  - \$10,860,000 for married couple
    - Increasing annually
    - 40% rate above exemption
- Maryland Estate Taxes
  - \$2,000,000 (currently)
    - Increasing annually

# Family Farm Preservation Act

- Maryland Estate Tax Relief for Family Farms
  - Exclude \$5,000,000 of value from Qualified Agricultural Property
    - Primarily used for farming purposes
    - Passes to Qualified Recipient
  - Property exceeding \$5,000,000 qualifies for estate tax relief

# Annual Exclusion Gifts Provide Easy and Effective Tax Savings

- \$14,000 per year per donee (e.g, child or grandchild)
  - Cash
  - Interest in the land
- Spouses can transfer up to \$28,000 per donee



# Gifts of Forest Land

- Tom and Mary Jarrell
  - Forest/Farm Land = \$6,000,000
- Wish to make gifts to children/grandchildren
- Can transfer \$28,000 of land value per child
  - .46% interest in land per child per year
    - » Partition Action

# Forms of ownership

- Sole Ownership/Fee Simple Ownership
- Joint Tenancy with Right of Survivorship
- Tenancy in Common
- Family Limited Partnership
- Limited Liability Corporation
- S and C Corporations
- Trust
- Revocable and Irrevocable Trust

# Business Entities

- Limited Liability Corporation
- Family Limited Partnership
- S and C Corporations



# Limited Liability Corporation

Method to make gifts of forest/farm land

- Own shares of LLC not part of land
  - Protection from Partition Action
- Parents retain control of land
  - Management Shares
  - Non-management Shares

# Limited Liability Corporation

- Every state has a statute that allows for LLC
- Can be dedicated to any purpose
- Liability protection from members
- Can restrict ownership of family forest
- No limitations of number of owners or type of members
- Living Document – It can be amended

# Limited Liability Corporation

## Articles of Organization - public

- Filed with state\*
- “Term” or “at will”
- Managers or members

## Operating agreement – private

- details purpose
- membership
- conditions and governance

# Donated easements





# Tax Benefits of Conservation Easement

- Federal Income Tax Benefits
  - Federal Income Tax Deduction
  - Value of Easement Donation
    - \$200,000 = \$200,000 Charitable Donation
- Federal Estate Tax Benefits
  - Land valued at conservation easement value
    - Reduces Taxable Estate

# Purchased easement programs

- Maryland Agriculture Land Preservation Program
- Rural Legacy Program
- Forest Legacy Program
- Agricultural Conservation Easement Program
- Readiness and Environmental Protection Integration