

Determining Stumpage Value for the Forest Conservation Tax Credit

What is stumpage value?

For the Forest Conservation Tax Credit, stumpage value is used to describe the value of standing trees determined by calculating the money you would receive for your trees from a timber harvest minus the harvest and delivery costs.

How does stumpage value impact the Forest Conservation Tax Credit?

The Forest Conservation Tax Credit encourages small forestland owners (SFOs) to leave more unharvested trees than required in exchange for a tax credit. The tax credit amount is calculated using the stumpage value of the area left unharvested, which is known as the forest conservation area, plus appraisal costs and the cost of filing a deed restriction with the county where the forest conservation area is located.

To receive the tax credit, you must provide to the SFO Office information and documentation of how your stumpage value was determined. This document will assist you in collecting and submitting the necessary information and documentation to obtain the tax credit. If you have any questions, contact your SFO Forester for assistance.

How do I determine stumpage value?

There are three methods approved for determining stumpage value for the Forest Conservation Tax Credit. Each method requires specific information and documentation, outlined below.

You may use any of the following methods to determine stumpage value:

- Conversion Return Method
- Actual Comparison Method
- Cash Flow Modeling Method

What is the Conversion Return Method?

The conversion return method of determining stumpage value uses estimates of the value of your timber and the costs associated with harvesting to determine stumpage value. You will need to provide the following information and documentation regarding your forest conservation area when using this method:

- The volume of merchantable timber by tree species and log grades, based on size and log quality.
- Documentation of log values by species and grade shown in:

- a statement from a milling operation with their current payout for delivered logs by species and grade;
 - log value summaries by a professional organization; or
 - other commonly accepted methods of determining log values.
- Estimated cost of all activities required to harvest and deliver timber to a mill. This might include timber falling, yarding, transportation, or other costs like a timber tax.
 - Your stumpage value calculations. To calculate, you will need to subtract your estimated harvest and delivery costs from your total estimated timber value.
 - Documentation of appraisal costs of determining stumpage value.

What is the Actual Comparison Method?

The actual comparison method of determining stumpage value uses estimates of the value of your timber and information from the harvest of timber next to the forest conservation area to estimate the costs associated with harvesting. This method may only be used when the harvested timber is similar to the timber in the forest conservation area. You will need to provide the following information and documentation regarding your forest conservation area when using this method:

- The volume of merchantable timber by tree species and log grades (based on size and log quality).
- Documentation of log values by species and grade shown in:
 - a statement from a milling operation with their current payout for delivered logs by species and grade;
 - log value summaries by a professional organization; or
 - other commonly accepted methods of determining log values.
- Actual costs per thousand board feet associated with the harvest of adjacent timber.
- Your stumpage value calculations. To calculate, you will need to subtract your estimated harvest and delivery costs from your total estimated timber value.
- Documentation of appraisal costs of determining stumpage value.

What is the Cash Flow Modeling Method?

The cash flow modeling method of determining stumpage value uses a variety of practices to estimate the value of merchantable and pre-merchantable tree stands. You will need to provide the following information and documentation regarding your forest conservation area when using this method:

For merchantable tree stands:

- Merchantable volume of timber by grade, sort, and species.
- Documentation of log pond values, including species and grade, shown in:
 - a statement from a milling operation with current payout for delivered logs by species and grade;
 - log value summaries (mill pond value queries) by a professional organization; or
 - other commonly accepted methods of determining log values.
- Estimated harvest costs.
- Documentation of appraisal costs of determining cash flow modeling values.

For pre-merchantable tree stands:

- Age of stand
- Information on how tall trees will grow in a specific area, known as a site index
- Species
- Trees per acre
- Harvest rotation age
- Estimated harvest costs
- A timber appraisal, to include:
 - volume and value of useable trees;
 - sampling methodology;
 - growth and yield value used;
 - log pond values; and
 - value determination methodology
- Documentation of appraisal costs of determining cash flow modeling values

How is stumpage value used to determine the tax credit amount?

Depending on the situation, the tax credit amount is calculated using different percentages related to the stumpage value of the forest conservation area.

- 100% of the stumpage value is used for the trees in the forest conservation area if you harvested using standard practice rules and requested the tax credit for the area between the standard practice harvest boundary and the minimum option harvest boundary as described above.
- 50% of the stumpage value is used for land between the minimum option harvest area boundary and the edge of a dry stream channel area if you requested the tax credit.
- 125% of the stumpage value is used if you requested to harvest using minimum option harvesting rules but were unable to do so because your harvest area is located within a fifth field watershed for which use of the minimum option is not permitted due to the annual cap being reached and therefore you harvested using standard practice harvest rules.

When do I submit stumpage value information?

To receive the Forest Conservation Tax Credit, you must submit stumpage value, costs of appraisal, and cost of filing the deed restriction to the SFO Office after submitting your Notice of Operations but no later than 90 days after completing your timber harvest.

How do I submit stumpage value information?

The process for submitting documentation of stumpage value and associated costs will be added to this page when available.