

## GETTING STARTED

### KNOWING YOUR BOUNDARIES

Establishing a clear understanding of your property boundaries early on can help to avoid trespassing, development, harvesting and other property disputes down the road. If your property's boundaries were only defined using tax data or other written descriptions, you may be uncertain about where the property lines actually are. Working with a professional to survey your land will provide a comprehensive outline of your property boundaries. Timing a survey during a harvest on you or your neighbor's land can provide an opportunity to combine efforts and save on the costs of a survey. Alternatively, you can focus on specific areas of uncertainty that may pose an issue in the future, or request a survey of tax parcel corners that will help clarify your boundaries.

### MANAGING YOUR LAND

Figuring out how to manage your forests can be overwhelming – there are so many options and possibilities available and it can be difficult to determine which is best for you and your land. Establishing a clear idea of what you want to get out of your land can be a great starting point. Once you know what you want to achieve, developing a management plan will ensure you achieve your objectives. For larger forests, you may consider a Woodland Stewardship or Managed Forest Law Plan, which make you eligible for certain tax incentive programs in Minnesota and Wisconsin. For smaller pieces of land, a small acreage management plan can help you get the most out of your land. Working with a forester can help you establish and carry out a management plan, enroll in incentive programs, carry out a harvest, and ensure a healthy forest.

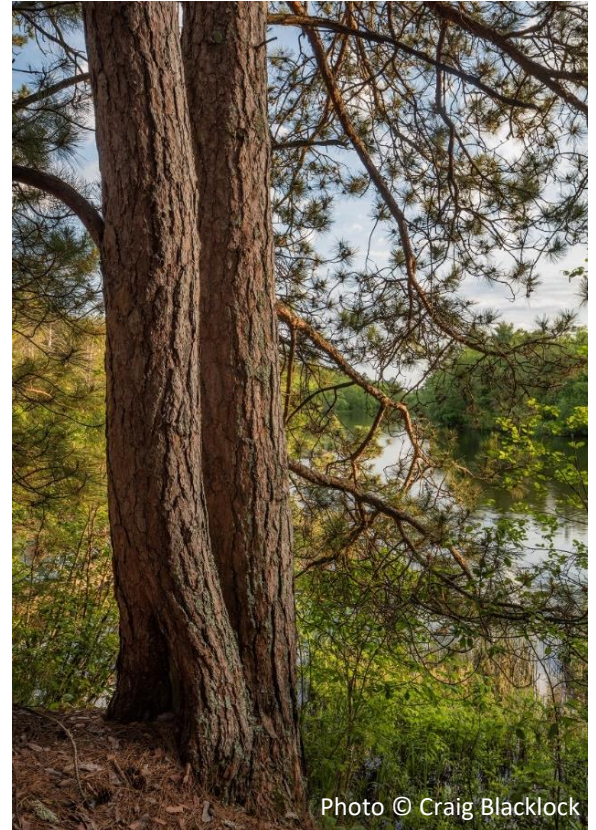


Photo © Craig Blacklock

*TO LEARN MORE ABOUT MANAGING YOUR WOODS, CHECK OUT [MYLANDPLAN.ORG](http://MYLANDPLAN.ORG) OR REQUEST A LANDOWNER HANDBOOK.*

### UNDERSTANDING YOUR TAXES

The first step in anticipating and understanding your taxes is to understand how your ownership is structured and how your property is classified. Property classifications are used to determine your property tax rate and can be confirmed by your county assessor. Ownership structure impacts your federal income tax rate and requires greater consideration. The National Timber Tax website can help you understand the best way to structure and the subsequent implications for your taxes. You can then begin to assess your costs and deductions. Capital costs are returned over time as increased property value and are generally only deductible in the case of for-profit timber operations, while operating costs can often be returned as tax deductions. Your participation status and ownership structure will impact the eligible tax deductions you are eligible for and how they are itemized.

FEDERAL INCOME TAXES	STATE PROPERTY TAXES
<p>Ownership Structure Classifications:</p> <ul style="list-style-type: none"> <li>• Personal Use</li> <li>• Business: Businesses can be classified in multiple ways such as sole proprietorships or partnerships. This is the classic structure for a working timber operation.</li> <li>• Investment: This is usually the ideal structure for small acreage owners and those with more passive activity levels.</li> </ul>	<p>Common Forested Property Classifications:</p> <ul style="list-style-type: none"> <li>• Residential</li> <li>• Agricultural</li> <li>• Seasonal Recreational (MN)</li> <li>• Rural Vacant Land (MN)</li> <li>• Class 2c Managed Forest Land (MN)</li> <li>• Agricultural Forest (WI)</li> <li>• Productive Forest Land (WI)</li> </ul>
<p>Possible Deductions &amp; Exclusions:</p> <ul style="list-style-type: none"> <li>• Reforestation tax credits</li> <li>• Timber management expenses for profit</li> <li>• Asset depreciation in profitable timber operations</li> <li>• Loss due to theft or casualty</li> <li>• Conservation easements</li> <li>• Approved cost-share payments</li> </ul>	<p>Tax Incentive &amp; Relief Programs:</p> <ul style="list-style-type: none"> <li>• Class 2c Managed Forest Land (MN)</li> <li>• SFIA: Sustainable Forest Incentive Act (MN)</li> <li>• Managed Forest Law (WI)</li> </ul>

## KNOWING YOUR CAPITAL & YOUR BASIS

When considering your taxes, you'll also want to understand your capital and your basis. Capital Gains Income (CGI) is income with a preferential tax rate, generated from the sale of property, and in some cases timber sales. To determine your CGI you'll need to know how long you've owned your land, how it was acquired, and what your basis is. Basis is simply the amount of money you have put into your property. For purchased land, this is the cost of the property plus any additional acquisition costs. Land that is inherited has a basis based on the fair market value of the land at the time of death. Once you know your basis, subtract it from the profit of your sale to calculate your CGI. If you're not sure or have a more complex situation, it is usually best to consult a tax professional.

*TO LEARN MORE ABOUT YOUR TAXES CHECK OUT [TIMBERTAX.ORG](http://TIMBERTAX.ORG) OR CONTACT US FOR MORE INFORMATION AND A LIST OF TAX PROFESSIONALS WORKING IN YOUR AREA.*

## EVERYTHING IN BETWEEN

### CERTIFICATIONS

There is an increasing demand for sustainably sourced timber, and certifying your timber can give you an advantage with consumers. Certifications such as American Tree Farm System (ATFS), which was designed with family forest owners in mind, can provide you the tools and support to harvest sustainably and will recognize your commitment to forest stewardship.

*TO LEARN MORE VISIT [TREEFARMSYSTEM.ORG](http://TREEFARMSYSTEM.ORG)*

### CONTRACTS

Any time you have someone working or operating on your land, you should ensure that a written contract is in place. This includes hunters and recreationalists leasing your land, foresters, and loggers or timber buyers. If you have any questions or issues regarding contracts, especially violations of terms, it is important to seek the counsel of an attorney.

## LIABILITY ON YOUR LAND

Understanding your liability is also an important component of woodland ownership. Both Minnesota and Wisconsin offer woodland owners some protections from liability for injuries or damages that may occur on their land, but there are exceptions. Key exceptions include recreationalists charged for using your land, organized sporting groups and events invited to your land, apparent negligence, or certain situations where a nuisance affects a neighbor's land. Clearly defining and communicating users' permissions to be on your land is an important step in protecting yourself from liability. If you are planning to open your woodlands for recreational use or have any other liability concerns, it is best to talk with an attorney early on to ensure that you are protecting yourself legally.

## LEAVING A LEGACY

### ESTATE PLANNING

Deciding how to manage your property into the future requires a great deal of consideration. Working with an estate planner can help you effectively manage your property from the beginning, and ensure that your taxes, contracts and plans for the future are complete and comprehensive. Involving your family in activities on the land and the decision making process can ensure they are as invested in the future of the property as you are. There are several options to consider when planning your legacy. Working with your estate planner or attorney and your forester can ensure you make the best decision for you, your family and your land.

EASEMENTS, ACQUISITIONS & DONATIONS	LIMITED LIABILITY CORPORATION (LLC)	SELLING, GIFTING & INHERITING (GENERATIONAL TRANSFERS)
<p>Conservation Easements:</p> <ul style="list-style-type: none"> <li>• Agreements between landowners and public organizations or trusts</li> <li>• Ensures conservation</li> <li>• Provides financial incentives</li> </ul>	<p>LLC:</p> <ul style="list-style-type: none"> <li>• Combines corporation and partnership frameworks</li> <li>• Member liability protections</li> <li>• Flexible operations agreement</li> <li>• May require setup costs &amp; legal aide</li> </ul>	<p>Selling:</p> <ul style="list-style-type: none"> <li>• Land is put on market and sold to prospective buyer for continued use or development</li> <li>• Often requires appraisal and real estate guidance</li> </ul>
<p>Fee Title Acquisitions:</p> <ul style="list-style-type: none"> <li>• Purchased lands for future conservation purposes</li> </ul>	<p>Other Partnership Options:</p> <ul style="list-style-type: none"> <li>• General Partnership</li> <li>• Family Limited Liability Corporation or Partnership (FLLC/P)</li> <li>• S Corporation</li> <li>• C Corporation</li> </ul>	<p>Gifting:</p> <ul style="list-style-type: none"> <li>• Land is given at no cost</li> <li>• May still require appraisal and estate planner assistance</li> </ul>
<p>Donations:</p> <ul style="list-style-type: none"> <li>• Land gifted for future conservation</li> <li>• Reduces tax burdens</li> <li>• Ensures future protection</li> </ul>		<p>Generational Transfers:</p> <ul style="list-style-type: none"> <li>• Willed as a gift</li> <li>• LLC of FLLC: Allows owner to pass to multiple descendants over time and ensures land stays intact</li> </ul>

*TO LEARN MORE ABOUT YOUR EASEMENTS, DONATIONS & ACQUISITIONS CHECK OUT YOUR LOCALLY OPERATING LAND TRUSTS: TRUST FOR PUBLIC LANDS • MINNESOTA LAND TRUST • WEST WISCONSIN LAND TRUSTS • THE NATURE CONSERVANCY*

WANT TO LEARN MORE? CONTACT US AT [WWW.MYSTCROIXWOODS.ORG](http://WWW.MYSTCROIXWOODS.ORG) OR CALL US AT (715) 483-7053.