

# **Forest Recovery Provisions for the Hurricanes of 2005**

**Katrina Emergency Tax Relief Act of 2005  
Gulf Opportunity Zone Act of 2005  
2006 Defense Appropriations Act**

# **Recovery Cost-Share Programs**

- **The 2006 Defense Appropriations Act (P.L. 109-148) extended three agriculture disaster recovery programs to forest land in areas affected by the hurricanes of 2005:**
  - **261 counties/parishes in Mississippi, Louisiana, Alabama, Florida, Texas, and North Carolina designated as primary disaster areas by both the President and the Secretary of Agriculture**

# **Recovery Cost-Share Programs**

- **Emergency Watershed Protection Program**
- **Emergency Conservation Program**
- **Emergency Forestry Conservation Reserve Program**

# **Emergency Watershed Protection**

- **The Emergency Watershed Protection Program (EWP) primarily supports removal of downed timber and construction of firebreaks**
  - **Is available in counties/parishes affected by tornadic winds associated with the hurricanes**
  - **Eligible sites are areas with a high risk for wildfire or associated smoke concerns, ...**

# **Emergency Watershed Protection**

**... for example, forest land near urban interface areas, transportation corridors, or structures**

- EWP reimburses 75% of the cost of supported practices, to a limit of \$150 per acre**
- Forest owners can apply at their local Natural Resources Conservation Service office**

# **Emergency Conservation Program**

- **The Emergency Conservation Program (ECP) primarily supports removal of timber debris and replanting**
  - **To qualify, a site must have lost 35% or more of its commercial timber value due to the hurricanes**
  - **ECP reimburses 75% of the cost of supported practices (up to 100% for Rita and Katrina), to a limit of \$150 per acre**

# **Emergency Conservation Program**

- **ECP payments cannot exceed \$200,000 per person, per disaster and cannot be for practices paid for by another Federal program**
- **Forest owners can apply at their local Farm Services Agency office**

# **Emergency Forestry CRP**

- **The Emergency Forestry Conservation Reserve Program (EFCRP) primarily supports restoration and replanting**
  - **To qualify, a site must have lost 35% or more of its commercial timber value due to the hurricanes**
  - **EFCRP enrollment offers are ranked based on their potential to prevent soil erosion, improve water quality, ...**



# **Emergency Forestry CRP**

**... restore wildlife habitat, and mitigate economic losses caused by the hurricanes**

- **Foresters help landowners with accepted offers to develop conservation plans**
- **Participating landowners receive a 50% cost-share for practices called for in the plan, plus a land rental payment in a lump sum or 10 annual payments**

# **Emergency Forestry CRP**

- **For 10 years, no timber can be harvested from enrolled land without agency approval**
- **Forest owners can apply at their local Farm Services Agency office**

# **Recovery Cost-Share Programs**

- **EWP, ECP, and EFCRP can be “stacked” if they are used for different timber practices**
- **Owners should be aware that the new timber practices are in competition with traditional agriculture practices for the available funds**

# **Recovery Cost-Share Programs**

- **In all three cases, the original agriculture programs are approved for exclusion from gross income under IRC section 126**
  - **EWP, ECP, and EFCRP cost-shares used for capital expenses can be excluded from gross income (although they MUST be reported)**
  - **EFCRP land rental payments CANNOT be excluded**

# **Gulf Opportunity Zone Provisions**

- **The Gulf Opportunity Zone Act of 2005 (P.L. 109-135) included two provisions for forest owners in 132 counties/parishes that make up three Gulf Opportunity Zones:**
  - **The Gulf Opportunity Zone (GO Zone)–91 counties/parishes in Mississippi, Louisiana, and Alabama designated as the core disaster area for Hurricane Katrina**

# **Gulf Opportunity Zone Provisions**

- **The Rita GO Zone—17 Louisiana parishes included in the GO Zone, plus an add'l 28 counties/parishes in Louisiana and Texas designated as the core disaster area for Hurricane Rita, and**
- **The Wilma GO Zone—13 counties in Florida designated as the core disaster area for Hurricane Wilma**

# **Increased Reforestation Deduction**

- **For qualifying forest owners, the annual reforestation deduction (\$10,000 or \$5,000 for married persons filing separately) is increased by the amount of qualified reforestation expenses incurred during the year, to a limit of \$10,000**

# **Increased Reforestation Deduction**

- **“Qualifying forest owners” includes those who owned 500 acres or less of forest land at all times during the year, and  
Are not a corporation with publicly-traded stock or a real estate investment trust**



# **Increased Reforestation Deduction**

- **“Qualified reforestation expenses” includes those incurred after:**

**Aug. 27, 2005, if any of part the property is located in the GO Zone,**

**Sep. 22, 2005, if any part of the property is located solely in the Rita GO Zone,**

**Oct. 22, 2005, if any part of the property is located in the Wilma GO Zone, and**

**Before Jan. 1, 2008**

# **Enhanced NOL Carryback**

- **The provision permitting farmers to carry the portion of a net operating loss (NOL) due to income and deductions attributable to their business back to the 5 tax years before the NOL year is extended to qualifying forest owners with qualifying timber property**
  - **This provision does not apply after 2006**

# **Enhanced NOL Carryback**

- **“Qualifying forest owners” includes those who:**

**Held the qualifying timber property on Aug. 28, 2005, if any portion of the property is located in the GO Zone**

**Held the qualifying timber property on Sep. 23, 2005, if any portion of the property is located solely in the Rita GO Zone**

# **Enhanced NOL Carryback**

**Held the qualifying timber property on Oct. 23, 2005, if any portion of the property is located in the Wilma Go Zone**  
**Owned 500 acres or less of forest land at all times during the year, and**  
**Are not a corporation with publicly-traded stock or a real estate investment trust**

# **Enhanced NOL Carryback**

- **Timber property qualifies if any part of it is located in the GO Zone, the Rita GO Zone or the Wilma GO Zone, and the income and deductions are allocable to the part of the tax year after:  
Aug. 27, 2005, if any of part the property is located in the GO Zone,**

# **Enhanced NOL Carryback**

**Sep. 22, 2005, if any part of the property is located solely in the Rita GO Zone, or  
Oct. 22, 2005, if any part of the property is located in the Wilma GO Zone**

# **GO Zone (Katrina) Provisions**

- **The Katrina Emergency Tax Relief Act of 2005 (P.L. 109-73) and Gulf Opportunity Zone Act of 2005 (P.L. 109-135) included four provisions for taxpayers engaged in the active conduct of a trade or business that may benefit forest owners**

# **GO Zone (Katrina) Provisions**

- **These provisions are only available to taxpayers in the 91 counties/parishes in Mississippi, Louisiana, and Alabama designated as the GO Zone (Katrina)**
- **They are not available to taxpayers in the Rita GO Zone or the Wilma GO Zone**



# **GO Zone (Katrina) Provisions**

- **Increased replacement period for property lost in an involuntary conversion (KETRA)**
- **50% depreciation bonus for qualifying property (GOZA)**
- **Increased section 179 deduction (GOZA)**
- **Enhanced carryback provisions for net operating losses (GOZA)**
- **See: [www.gozoneguide.com](http://www.gozoneguide.com) for details**