



# Taxes and Your North Carolina Woodlands

## The Forestry Present-Use Valuation (PUV) Program

If you are a woodland owner who manages your forest sustainably, grows trees as a source of income and you have a qualifying forest management plan filed with your county tax office, you may be eligible for reduced property taxes under North Carolina's Forestry Present-Use Valuation (PUV) program (*NC General Statutes 105 277.2- 277.7*).

Most land in North Carolina is taxed at a rate based on "highest and best use"—the market value of the land to developers, for example. Under PUV, forestland is taxed at a substantially lower rate based solely on its ability to produce income from timber. By reducing the tax burden on family forest owners, PUV helps keep forests as forests and allows woodland owners to keep their land in the family despite development pressure.

To qualify for PUV you must:

- Have at least 20 acres of forestland that you are managing sustainably for commercial timber production.
- Either live on the land enrolled in PUV or have owned it for the previous four years.
- Have a management plan, approved by your county tax assessor, on file. For your plan to be approved, it should include a statement of your management objectives, location maps and photos of your forestland, a detailed forest inventory for the enrolled land, timetables for your expected timber harvests and plans for regeneration of your woodland once your harvests are complete.

The use value assigned to your North Carolina woodland will vary depending on where you live. If you live in a county that is in a rapidly developing or urbanizing area, the financial benefits of PUV will likely be greater than if you live in a rural county.

PUV is a complicated law that has undergone many changes since it was passed in 1974. As with all tax matters, it's important that you consult with your tax advisor and your county's tax assessor to see if you qualify for reduced taxes under this program and how much you are likely to save by enrolling in PUV.

## Other Tax Incentives Available to Woodland Owners

In addition to PUV, both North Carolina and the federal government offer a variety of tax incentives, tax credits and tax deductions for reforestation expenses to qualifying private woodland owners. Your tax advisor will be able to tell you which of the following programs apply to you, and how you can participate.

- **Reforestation Tax Credit and Amortization Deduction:** Landowners can deduct up to \$10,000 of qualifying reforestation expenses annually when reporting federal income taxes. The cost of site preparation, seedlings or seeds, planting, tools and depreciation on equipment may be included. In addition, landowners can deduct (amortize) all reforestation expenses incurred in any one year that cannot be expensed, without limit to the amount.



- **Annual Deductions:** Some or all of the management expenses you incur each year may be deductible, even if you receive no timber income in that tax year. In addition, most management expenses you do not claim annually may be capitalized and recovered in future years when your timber is sold.



As with PUV, it is important to get professional advice about tax matters. Your county Cooperative Extension Center, tax advisor, consulting forester and/or the Internal Revenue Service can provide you with detailed information on tax incentives and help with tax planning.

### Learn More!

- **North Carolina Department of Revenue.** The Department of Revenue website includes a comprehensive Present-Use Value Program Guide with detailed information on the PUV program's requirements and application process. This guide, updated in January 2014, is essential reading for woodland owners who are considering enrollment in PUV. The North Carolina State PUV application is included in the guide as Appendix AV-5. Note that certain counties may have their own applications that differ from this state application, so be sure to check with your county tax office prior to filing an application. Find the full guide here: [http://www.dor.state.nc.us/publications/puv\\_guide.pdf](http://www.dor.state.nc.us/publications/puv_guide.pdf)
- **North Carolina Cooperative Extension Service (NC-CES).** NC-CES offers a variety of excellent edu-



cational resources on North Carolina's Present-Use Value Program and other tax incentives available to woodland owners. A six-page overview of the PUV program can be found here: <http://content.ces.ncsu.edu/20245.pdf> A four-page guide, "Financial Incentives for Forest Management," which includes information on PUV, cost-share and other programs, can be found here: <http://content.ces.ncsu.edu/20083.pdf>

- **North Carolina Forest Service.** The N.C. Forest Service website includes a basic overview of the state's PUV tax program for private woodland owners, with links to additional helpful resources. Find it here: [http://ncforestservice.gov/Managing\\_your\\_forest/managing\\_presentuse.htm](http://ncforestservice.gov/Managing_your_forest/managing_presentuse.htm)
- **National Timber Tax Website.** This tax website for woodland owners is sponsored by the U.S. Forest Service, National Woodland Owners Association and the University of Georgia. It includes information and publications on federal and state tax laws, estate planning, educational programs for woodland owners and a variety of other tax-related topics. Find it here: <http://www.timbertax.org>
- **MyLandPlan.org.** This website for woodland owners contains extensive, easy-to-understand information and resources for family forest owners. While it does not include specific tax information, it does include extensive resources on estate planning for the future of your woodland. Find it here: <http://mylandplan.org/future>
- **American Tree Farm System (ATFS).** ATFS offers many learning opportunities for woodland owners, including educational webinars on financial planning, to help you keep your forest in your family for generations to come. Connect here: <https://www.treefarmssystem.org>

*Information for this fact sheet was compiled from a variety of sources, including the American Forest Foundation, North Carolina Forest Service and North Carolina Cooperative Extension Service.*