



UI Extension Forestry Information Series

Managing Your Forestland Estate

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There are many settlement questions you need to address now about passing on your estate: who will manage your forestlands; how it will be managed, and for what goals; and will your heirs be able to afford the estate transfer taxes? If you can answer these questions comfortably than you are better prepared than most for the eventual settlement of your estate.

Estate planning is often avoided but necessary in long-term forest management. The primary step in this process is writing a will. A person that dies intestate (without a will) leaves the estate distribution decision to the state. In some cases, state distribution may be desirable, however, a will can provide some special considerations.

Financially a landowner should consider death taxes as well as distribution of the estate. Death taxes are calculated by first determining the amount owed to the federal government. The death taxes owed to the state of Idaho equal the death tax credit allowed by the federal government. The Idaho State Tax Commission enforces what is called a "piggy-back" tax on estates. This means no additional taxes are paid to Idaho after death.

Federal laws allow an individual to gift up to \$600,000 of assets during their lifetime and at death free from federal death taxes. Amounts above this level are taxed at rates beginning at 37% and increasing to over 55% of estate value, providing a great deal of incentive to make decision *before* death.

A forestland owner can give, tax free, up to \$10,000 of assets to qualified heirs each year under the \$600,000 lifetime exclusion. A married couple can each gift \$10,000 of assets to their child for a total "split-gift" of \$20,000 each year. Further, that same

couple could split-gift to children and their spouses a total of \$40,000 each year (\$10,000 from each co-owner spouse to each child and spouse) free from state and federal gift taxes.

There are several reasons to involve your heirs with your forestry assets before death and to involve younger family members in resource management to strengthen the continuity of forest management after you pass on. You may desire to provide a responsible activity for family members. From a financial standpoint you may wish to transfer income producing forestland into the hands of younger children who may be in lower tax brackets than yourself. You may also wish to give some forestry assets to your heirs while you are still living so that you can provide assistance in forest management before they inherit the entire estate.

There are other ways to arrange your estate that do not involve relinquishing total control of the property and its income producing benefits. These methods include using family partnerships, limited partnerships, corporations, sub-chapter S corporations, and a variety of options involving Trusts and other specially formed businesses.

For more information on this topic request the publication titled *Estate Planning for Forestland Owners*, GTR SO-97, from the USFS Southern Forest Experiment Station.

This information first appeared in Woodland NOTES, Vol. 6, No. 2.

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