

Maryland Income Tax Modification  
for  
Reforestation and Timber Stand Improvement

General

The purpose of this is to provide standards and guidelines for carrying out responsibilities of the Maryland Income Tax Modification, Article 81, Section 280 C Annotated Code of Maryland and Natural Resources Regulation 08.07.03.04.

Criteria for Participation

1. The program may be used by taxpayers with commercial forestland totaling 3 to 1,000 acres or which will become commercial forestland.
2. This program applies to reforestation and timber stand improvement practices conducted for the purpose of growing and harvesting forest tree species on 3 to 1,000 acres.
3. This program may not be utilized for establishment or production of Christmas and ornamental trees.
4. Practices must be maintained for a minimum of 15 years from the date of Final Certification.
5. Deductions may be claimed for practices performed on forestland in Maryland capable of growing 20 cubic feet of wood per year.
6. Deductions are claimed on Maryland Income Tax returns.

Practices Eligible for Tax Deductions

1. Reforestation includes planting of open ground, replanting of harvested forestland and establishment of natural regeneration. This includes planting of seedlings to supplement natural growth, using a combination of mechanical and chemical site preparation methods. It will result in the establishment of 400 or more healthy sprouts and seedlings per acre of commercially desirable species, well space and free to grow.
2. Timber stand improvement includes any combination of accepted forestry practices such as thinning and pruning which are necessary to maintain or improve the rate of growth, tree form, stand health, or stand composition, which are of a long term nature and do not result in immediately saleable forest products.
3. Chemicals shall be applied as specified by label instructions and in accordance with standards established by the Maryland Department of Agriculture.

## Cost Eligible for Deduction

1. All direct costs associated with certified reforestation and timber stand improvement practices may be included. The cost of tools and machinery, including depreciation resulting from use in the implementation of practices, labor, consultant fees, chemicals including herbicides, insecticides, rodenticides, animal repellents and fertilizer, seed and seedlings may be included in calculating the cost of the project.

## Processing the Maryland Income Tax Modification

### Completion of the Form (DNR 393):

1. Taxpayer - It is the responsibility of the taxpayer to complete the form with the exception of the Forester Certification section, which must be completed by a Maryland Registered Professional Forester.
2. Foresters - The Forester must verify all information on the form and ensure that practices claimed meet the required standards.
3. Instructions for Form DNR 393 are provided with each form.

### Filing for the Deduction:

Upon completion of the DNR 393 the copies will be distributed as follows:

- White copy - Md. FS Headquarters
- Yellow copy - Md. Income Tax Copy
- Pink copy - Taxpayers Records
- Gold copy - Foresters Records

### Tracking Income Tax Modification :

Following completion of the DNR 393 the form will be sent to

- Supervisor, Forest Stewardship
- Maryland Forest Service
- Tawes State Office Building, E-1
- Annapolis, Maryland 21401

The DNR 393 will then be reviewed for completeness and recorded in database for future monitoring. The deduction will be credited to the Taxpayer only when the DNR393 has been received from the Taxpayer. Deductions will be credited to the Taxpayer for the years in which the Certifications are dated.

Semi-annual reports will be provided to Foresters to track new Certifications and Inspections needed. Letters for each will be sent to Taxpayers to initiate the process. It is the Taxpayers responsibility to contact the Forester and request an Inspection of the Practice or to give Final Certification for the practice.

## Reporting Practices

### Initial Certification

1. Initial Certification may be declared for any practice that is a component of a Reforestation or Timber Stand Improvement operation. Final Certification may be claimed only when the practice meets required standards. Final Certification for practices such as shearing, double chopping, and bedding may not be reported until trees have been planted and Final Certification for the tree planting is claimed.
2. Practices under the minimum allowable acreage may have claims delayed until sufficient acreage has been accumulated to claim the deduction for a tax year. Thus a taxpayer doing 5 acres of T.S.I. in 1986 and 6 acres of tree planting in 1988 may submit an Initial Certification in 1988 and a Final Certification in 1989 for the practices on the combined 11 acres.
3. Practices for different areas of a property may be reported on the same form (DNR 393) if the Initial and Final Certification dates will coincide. If either the Initial or Final Certification dates differ the practices should be reported on separate forms.
4. Initial and Final Certification of a practice may be done on the same form only when the practice has been completed meeting all standards and no supplemental work will be required. Examples of this include T.S.I. by felling where the result is immediately evident or tree planting where the claim is not done until the following year and a survival check shows sufficient stocking.
5. Multiple practices in different areas with different Initial and Final Certification dates shall be reported on separate forms, which may be submitted at the same time.
6. Multiple forms submitted at one time shall be numbered page \_\_\_ of \_\_\_ .

### Final Certification

1. Final Certification must be received within two (2) years of Initial Certification or a Decertification will be processed along with a letter of notification to the Taxpayer and the Maryland Income Tax Division.
2. All Taxpayers with Initial Certification will be notified six (6) months before the Decertification is scheduled. The Taxpayer must then contact the Forester for his area who will process the Final Certification if the practice meets the required standards.
3. If Final Certification cannot be reported, a Plan of Action for continuation of the activity must be prepared. The Plan will then be sent with the DNR 393 to the Maryland Forest Service in Annapolis. The DNR 393 should indicate the attached Plan by the word "Plan" in the upper left corner of the Form.
4. The Plan of Action will then be reviewed for approval. Plans not approved will be returned for modification.

5. Taxpayers, Maryland Income Tax Division and the Forester will be notified in writing of the Plan approval and the estimated date of completion for the practice.

### Decertification

#### Review by Forester:

1. Practices inspected but not receiving Final Certification or without an approved Plan of Action will be Decertified by the Forester. The DNR 393 must be completed showing all information previously reported.
2. Inspections resulting in a decertification will be processed by the Forester and reflect all information previously reported.

#### Review in Headquarters:

1. If Final Certification is not initiated by the Taxpayer, and the two (2) year Final Certification requirement is exceeded, a Decertification will be processed by the Supervisor, Forest Stewardship. A copy of the Decertification DNR 393 and a letter of explanation will be sent to the Taxpayer, Maryland Income Division and the Initial Certification Forester.
2. All deductions claimed for that practice will then be added to the Taxpayers adjusted gross income the next tax year.

### Inspections:

1. Three (3) inspections at 5 year intervals are required to ensure that the 15 year life span of the Practice is attained. To accomplish this an inspection schedule has been established for all Practices that have Final Certification. The Taxpayer will be notified by HQ of the Inspection scheduled for that year. It will be the owner's responsibility to contact the Forester and arrange for an Inspection of the practice.
2. The Forester must verify that the practice is in place and meets the minimum standards for that Practice.
3. If the practice is no longer in place, the Forester will Decertify the practice on form DNR 393 and send it with the Inspection Report to HQ.
4. For practices in place the Inspection Report will be completed and forwarded to HQ for processing.
5. Foresters will receive semi-annual reports indicating inspections scheduled for that year. Time will be allotted for completion of these inspections.
6. Failure by the Taxpayer to arrange for an Inspection of the practice within the appropriate time will result in Decertification of that practice.