RUSSELL COUNTY AGRICULTURE AND NATURAL RESOURCES AUGUST 2025 NEWSLETTER

Martin-Gatton College of Agriculture, Food and Environment
University of Kentucky

Timely Tips

Dr. Les Anderson, Beef Extension Professor, University of Kentucky

General

- Check pastures for downed wild cherry trees after storms (wilted wild cherry leaves are toxic to cattle).
- Be sure that clean water is always available, especially in hot weather. Make routine checks of the water supply. Cattle need 13 to 20 gallons of clean water in hot weather. Cattle should have access to shade.
- Maintain a weed control program in permanent pastures and continue to "spot-spray" thistle, honey locust, etc.
- Have forage analyses conducted on spring-cut hay and have large, round bales covered. Begin planning the winter feeding program now. Most of the hay was cut late due to a wet spring.
- Start soil testing pastures to determine fertilization needs for this fall.
- Be aware of the heat when planning your cattle handling. Work cattle early in the morning to avoid excessive heat stress.
- Avoid grazing pastures containing endophyte-infected fescue if possible. The alkaloids (chemicals) produced by the fungus exacerbates heat stress in livestock and can lead to numerous negative outcomes including decreased growth rate and decreased conception rate.

UPCOMING EVENTS:

Beekeeper's Meeting
August 7th: 6:00 PM CST
Russell County Extension Office

South-Central KY Hay Contest
July-September 2025

Jonathan Oakes
CEA for Agriculture and Natural Resources

RUSSELL COUNTY EXTENSION OFFICE
2688 S. HWY 127
RUSSELL SPRINGS, KY 42642
PHONE: (270) 866 - 4477
FAX: (270) 866 - 8645
RUSSELL.CA.UKY.EDU

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Agriculture and Natural Resources
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MARTIN-GATTON COLLEGE OF AGRICULTURE, FOOD AND ENVIRONMENT

Lexington, KY 40506

Economic & Policy Update
E-newsletter Volume 25, Issue 4
Editors: Will Snell & Nicole Atherton
Department of Agricultural Economics
University of Kentucky

Into the Woods: The Tax Uncertainty of Carbon Contracts

Author(s): Jonathan Shepherd&JordanShockley

Published: April 30, 2025

As woodland landowners look for income diversification opportunities, they may explore the potential of carbon sequestration as a revenue stream, particularly the potential income from woodland carbon programs. The federal income tax implications of this type of income are still not fully addressed in current tax law. This is not to mention that some states are analyzing tax law creation or changes to offset potential decreases in tax revenue generation due to possible decreased logging activity for standing timber enrolled in carbon programs. While the IRS has offered some guidance on underground carbon sequestration, it has yet to provide specific direction regarding income earned from carbon storage in standing, above-ground timber.

One thing that is almost always certain in the U.S. tax system is this: income is taxable unless specifically excluded by law. That includes income from carbon programs. Regardless of whether the payment is made for leasing rights, selling credits, or participating in carbon offset programs, receiving compensation for carbon sequestration is likely to be considered a taxable event. However, how that income is taxed and potential deductions to income depend heavily on how the income is characterized under the Internal Revenue Code.

In the U.S., income is generally characterized as either ordinary income or capital gains. Ordinary income is taxed at progressive rates and may also be subject to self-employment tax if it arises from an active trade or business. Capital gains, by contrast, are typically subject to more favorable long-term tax rates. While there are exceptions that exist, we typically think of selling timber as a capital gains event. Consequently, the way payments for woodland carbon programs are classified has significant implications for woodland landowners, especially those who may not be operating as a formal business but are nevertheless participating in carbon markets. In August 2023, the IRS released Private Letter Ruling (PLR) 202334007, which provided some helpful, albeit limited, guidance. In that case, a Real Estate Investment Trust (REIT) was receiving payments for underground carbon sequestration services, and the IRS ruled that these payments could be treated as rents from real property, qualifying income under Section 856 of the tax code. This is a very brief and naïve interpretation of a PLR, and one should seek qualified tax counsel to fully understand the implications of how this ruling may or may not relate to a given situation. While this PLR was a step toward guiding how carbon sequestration income should be characterized, it did not address open-air sequestration on forested land. The ruling focused exclusively on subsurface

injection of carbon and surface use for exploration but did not extend to the open-air sequestration performed by trees through photosynthesis.

This omission leaves woodland owners and their advisors in a gray area. A key unanswered question is whether carbon sequestration income from standing timber might also be characterized as rental income, which is generally treated as ordinary income, not subject to self-employment tax. If the income were treated instead as compensation for services or business activity, it could be subject to both ordinary income tax and self-employment tax. On the other hand, if structured carefully, the transaction might be positioned to receive capital gain treatment, particularly if tied to the use or disposition of a capital asset. However, without direct IRS guidance, these possibilities remain speculative.

Much of the tax treatment will likely come down to the specific terms of the contract between the woodland owner and the carbon project developer. These contracts vary widely; some involve leasing land rights, others involve selling carbon credits tied to the sequestration capacity of a forest, and others might include performance-based payments or revenue-sharing models. Each variation may influence how the income is classified and reported. Beyond income characterization, several other tax-related uncertainties remain unresolved from the perspective of the authors of this article:

Basis adjustments: It is unclear how, if at all, the basis of the timber or land might be affected by carbon sequestration payments. Could the basis be recovered, such as depletion in extractive industries (i.e., oil and gas)? Wildfire or disaster payments: If a fire or disease damages the timber stand, how would any associated insurance proceeds or contract payouts be taxed?

Responsibility for forest management: Who bears the cost (and reaps the benefits of deductions) for maintaining the timber stand under the carbon contract? Could certain expenses be capitalized or deducted?

Duration and permanence obligations: Many carbon contracts require the landowner to defer timber harvest for decades. The long-term nature of these commitments could have implications for installment sale treatment, long-term capital gains, or even constructive receipt rules. In summary, while carbon markets offer a promising financial opportunity for woodland owners, the federal tax landscape remains murky, especially when it comes to open-air sequestration from standing forests. Until the IRS or Congress provides more definitive guidance, landowners should proceed carefully and work closely with qualified tax advisors and legal counsel to evaluate contract structures, reporting strategies, and risk exposure. This is a relatively new frontier and will likely evolve alongside the carbon markets themselves.

Recommended Citation Format:

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Author(s) Contact Information:

Jonathan Shepherd | jdshepherd@uky.edu

Jordan Shockley | jordan.shockley@uky.edu

New World Screwworm

A Recent Threat to U.S. Farm Animals

Adult New World screwworm flies resemble the common blowfly but have multiple distinguishing features.

Recent news headlines have brought attention to the northward movement of a foreign animal disease towards the United States from Mexico: New World Screwworm (NWS). This parasite has been eradicated from the United States since 1966 with the most recent outbreak occurring in Florida Key deer in 2016. All living, warm-blooded animals, including birds and humans, can be infested with NWS.

What makes this fly and larvae different?

While our normal, US-borne flies lay eggs that can cause wounds to be infested with maggots (called myiasis), the flies that cause NWS are much more aggressive and the maggot (NWS) feeds on living flesh.

What causes infestation?

The female NWS fly lays eggs near or on a wound of an animal. The eggs hatch and the larvae (maggots) burrow into living flesh, enlarging the wound, attracting more flies and debilitating the animal. NWS flies seek out wounds from fighting injuries, tick bites, newborn navels and even human-made wounds from castration, ear tagging and dehorning procedures. After a week of feeding in the wound, the larvae drop to the ground and burrow where the adult NWS fly emerges.

New World screwworm flies, eggs and larvae around and deep within a wound.

What strategies are there for control?

Three main tactics are used for controlling NWS. The first two are dependent on veterinarians and animal caretakers and include visual examination of wounds with subsequent treatment and quarantine, as well as movement controls from impacted areas. The third tool, called sterile fly release, takes advantage of the fact that a female fly mates only once in her lifetime. Male NWS larvae can be raised in specialized laboratories, sterilized and released into the wild to mate with females. The female NWS fly's eggs will not hatch after mating with a sterile male NWS fly.

What is the urgency?

Recent northward detections of NWS in Mexico prompted United States Department of Agriculture Secretary Brooke Rollins to temporarily stop importation of cattle, horses and bison from Mexico at U.S. land ports. A detection in the United States could cost millions of dollars in livestock losses, trade restrictions and control efforts. Livestock, pets, wildlife and even humans could suffer and die from screwworm infestation. Look for animals that are depressed, not eating and off to themselves with enlarging, foul-smelling wounds. You may notice eggs laid near the wound and possibly moving maggots. NWS flies and maggots look like the common blowfly and maggot. If you suspect a case of NWS, contact a USDA veterinarian (502-395-2368) or Kentucky state veterinarian (502-573-0282) for help identifying it. We can work together to protect the United States from the re-introduction of this terrible disease. Find more information at: https://www.aphis.usda.gov/livestock-poultry-disease/cattle/ticks/screwworm

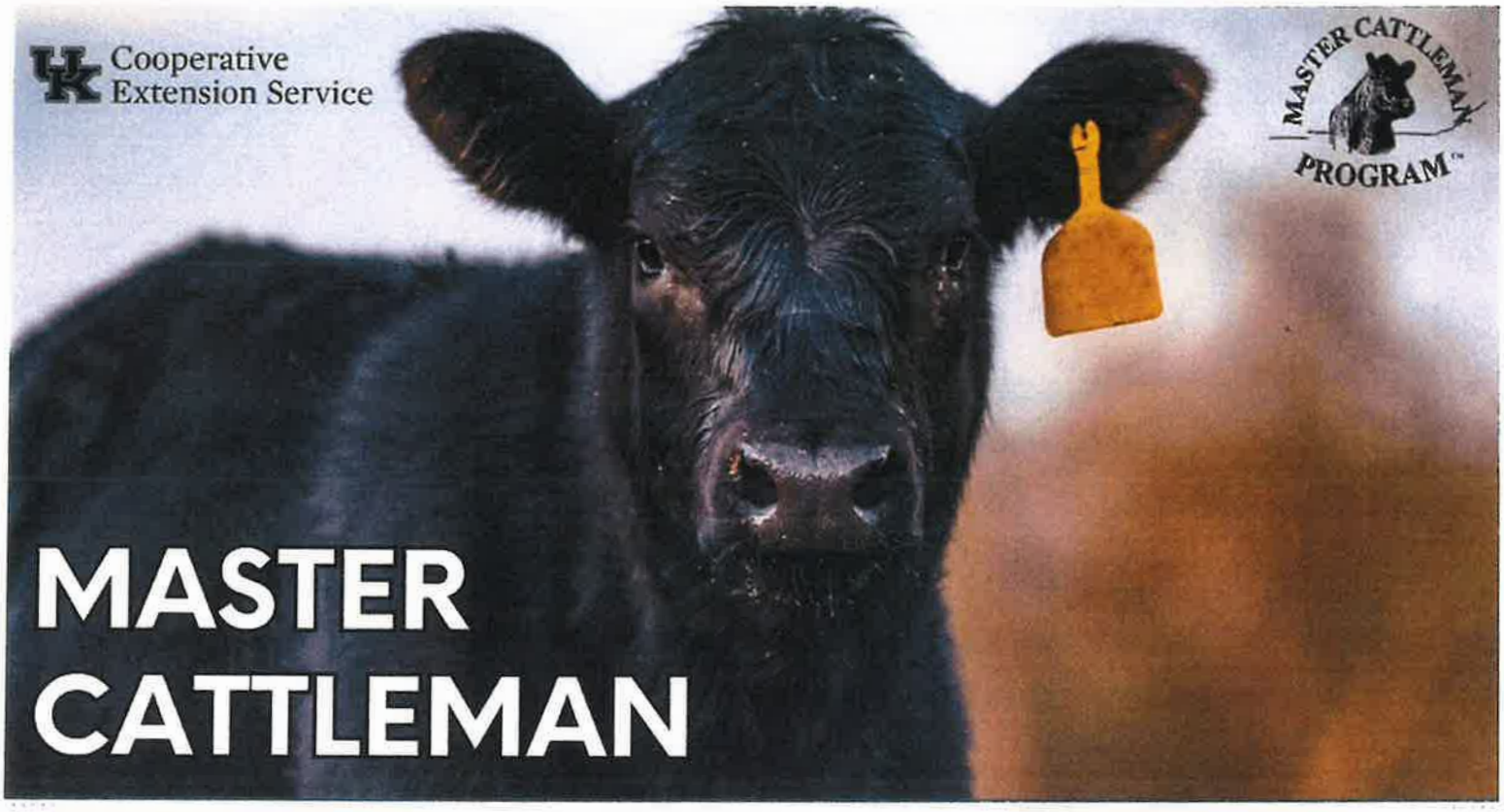
Martin-Gatton
College of Agriculture,
Food and Environment

SOUTH-CENTRAL KY

Hay Contest

The South-Central KY Area Hay Contest is offered to all individuals raising hay in Adair, Casey, Clinton, Cumberland, Green, Marion, McCreary, Pulaski, Rockcastle, Russell, Taylor, Washington, and Wayne counties. This program aims to provide producers with free hay analysis results to aid in educating producers on raising higher quality forages and meeting livestock needs.

Producers may submit multiple samples in each contest area to their county agriculture agent. Samples must be submitted no later than September 30th, 2025. Results will include crude protein, DM, TDN, RFV, ADF, and NDF. After completion of the program, an area-wide event will be held to provide an educational overview of the program and present awards to contest winners. There will be one winner selected for the entire area for each hay class. Please reach out to your county agriculture agent for further information.



The Master Cattleman Program is a Kentucky Beef Network Program, funded by the Kentucky Agriculture Development Board, that is developed and delivered by the University of Kentucky College of Agriculture.

It consists of:

- Six 3-hour sessions focusing on beef production and the beef industry.
- Online sessions for Forages (with options to attend Kentucky Grazing School)
- Completion of BQCA Program.

These sessions focus on educational topics related to beef production and the beef industry. These sessions are designed to enhance the profitability of beef operations by equipping producers with vital information provided by University of Kentucky specialists and agents. The program provides participants with a ready reference and introduces them to several different record-keeping programs. The time spent in the sessions also allows beef producers the opportunity to network with specialists, agents, industry leaders, associates, facilitators, and one another.

Cost: $100 per participant

To register please call:

Adair County 270-384-2317

Russell County 270-866-4477

Marketing and Profitability

October 28th, 2025 - 5:30 PM CT
Russell County Extension Office
2688 S. Hwy 127, Russell Springs, KY
Instructor: Kevin Laurent

Genetics

October 30th, 2025 - 5:30 PM CT
Adair County Extension Office
409 Fairground St, Columbia, KY
Instructor: Darrh Bullock

Herd Health

November 6th, 2025 - 5:30 PM CT
Russell County Extension Office
2688 S. Hwy 127, Russell Springs, KY
Instructor: Michelle Arnold

Reproduction & Record Keeping

November 13th, 2025 - 5:30 PM CT
Adair County Extension Office
409 Fairground St, Columbia, KY
Instructor: Les Anderson

Nutrition

November 20th, 2025 - 5:30 PM CT
Russell County Extension Office
2688 S. Hwy 127, Russell Springs, KY
Instructor: Katie VanValin

Facilities & Winter Feeding

November 25th, 2025 - 5:30 PM CT
Adair County Extension Office
409 Fairground St, Columbia, KY
Instructor: Katie VanValin

Cooperative Extension Service
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Family and Consumer Sciences
4-H Youth Development
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MARTIN-GATTON COLLEGE OF AGRICULTURE, FOOD AND ENVIRONMENT

Cucumber, Corn, and Bean Salsa

2-3 large cucumbers
2 tomatoes
1 yellow bell pepper
1 small red onion
¼ cup chopped fresh cilantro
½ cup black beans
½ cup fresh whole kernel corn, cooked
1 ounce package dry ranch dressing mix
⅛ cup cider vinegar
2 tablespoons sugar, optional

Wash all vegetables. Finely **chop** cucumbers, tomatoes, pepper, and onion. **Combine** in a large mixing bowl with chopped cilantro. **Drain** and rinse beans and add to chopped vegetables. **Add** corn. If using canned corn instead of fresh, **drain** off liquid prior to adding to vegetables.

In a small bowl, mix together ranch dressing packet, vinegar, and sugar.

Pour dressing over vegetables and mix well. **Serve** immediately or refrigerate until chilled.

Yield: Makes 20, ½ cup servings.

Nutrition Analysis: *50 calories, 0 g fat, 130 mg sodium, 7 g carbohydrates, 2 g fiber, 70% Daily Value of vitamin C and 6% Daily Value of vitamin A*

Buying Kentucky Proud is easy. Look for the label at your grocery store, farmers' market, or roadside stand.

Kentucky Proud

Kentucky Cucumber

SEASON: June to September.

NUTRITION FACTS: Cucumbers are naturally high in water; a one-half cup serving contains only 7 calories.

SELECTION: Choose firm, fully green cucumbers with no yellowing or soft spots. Cucumbers suitable for slicing and eating are 6 to 9 inches long with small, white spines on the surface that rub off easily. Pickling cucumbers are smaller and have black spines on the surface.

STORAGE: Store unwashed cucumbers in the refrigerator for up to a week. Sliced cucumbers should be tightly wrapped and refrigerated for up to 3 days.

Sources: [illegible]

PREPARATION: Wash under cool, running water to remove visible dirt. You may want to remove the seeds in mature cucumbers by cutting lengthwise and scooping seeds from the center with a spoon.

FOR PICKLING: Follow recipe instructions. Four pounds of cucumbers yield 5 to 6 pints of pickles.

CUCUMBER

Kentucky Proud Project
County Extension Agents for Family and Consumer Science
University of Kentucky, Nutrition and Food Science students
May 2010

COOPERATIVE EXTENSION SERVICE
UK KENTUCKY