



December 2014

It's beginning to look a lot like ...

During this very joyful and festive time, as you gather with family and friends ...
Happy Holidays and thanks for everything!



A message from HMA's President

By Skipper Beal

For many in our industry, 2014 has been a good year. So as it draws to an end, let's take stock of our many blessings.

Pricing and profits have improved; expansions and new mills have been announced; industry machinery suppliers have a healthy backlog of new orders; and until recently, it was a seller's market. And after speaking with so many of you, I feel we're ending the year with a renewed sense of confidence and looking ahead with optimism and great expectations.

For our fine Association, it's been a busy year of successful HMA-hosted meetings, beginning with the National Conference and Expo in Savannah and wrapping up with the fall Regional in Pennsylvania, and its record attendance of nearly 200 participants. Additionally, HMA officers and several Millennial Council members represented us in Washington, and Linda somehow made the time to participate in various other industry gatherings - with the IHLA in Indianapolis, the NWFA in Nashville, and the NHLA in Las Vegas.

Our efforts have proven to be fruitful on several fronts.

- We've taken our hardwood message, and the challenges hampering our industry, to Capitol Hill and beyond.
- With the goal of a greater American Hardwood industry, we've met with many industry association executives, and other stakeholders, in various collaborative efforts.

- We've grown the HMA membership!

From where I sit (and I've felt this way long before I entered the ranks of HMA leadership), HMA is a unique association, and it is a privilege to be involved with a group that is so generous in the sharing of its facilities and knowledge. Let's not keep this fine association a secret. Rather, let's invite others to enter into what has been a positive force for the industry.

That's right, I'm calling on **you**, a successful and satisfied HMA member - and our best advocate - to spread the word and help recruit other hardwood producers. With our reduced dues structure, and your personal testimony regarding HMA's many member benefits, it shouldn't be hard to convince our peers to join us. The entire Association will benefit from the talent and insight new members can provide. So, let's all have the goal of recruiting at least one new member in 2015.

May you prosper and enjoy the many blessings this country has to offer. May God bless you and your families, in the coming year.

2015 National Conference agenda highlights

HMA will be in Nashville, March 25-27, and we're offering an agenda of kicked-up, must-see, must-do presentations and activities. If you're serious about our industry, you'll be there, too!

March 25

Wednesday evening's **Opening Reception and Expo**, the 'official' start of the event, will provide the perfect opportunity for all attendees to browse the technology Expo, plus meet, greet, network, catch-up, make new contacts and connect with industry colleagues and old friends. Couple all of that with a sumptuous array of refreshments, Nashville-style, and NatCon 2015 is off to a terrific start! But there's more.

This time around, and as a prelude to Wednesday's Reception, HMA's nine member **Millennial Council** will be hosting a '**Next-Gen**' reception for other next generation Conference attendees. So if there is a promising 'Millennial' in your organization, make sure they are accompanying you to Nashville. Without question, they'll benefit by interacting with this energetic group. After all, it's this '**next gen**' that will take our industry, companies, and association to the next level.

March 26

Thursday's itinerary headliner is economist, author and former president of the National Association of Manufacturers and the Manufacturing Institute, **Jerry Jasinowski**. His keynote presentation, "**The Skilled Labor Crisis in the U.S.**" will be addressing the action needed to ease the skills crisis for our industry.

And then before breaking for our luncheon business meeting, **Lauren Anderson**, of Nashville law firm Baker, Donelson, Berman, Caldwell & Berkowitz, will share her expertise and insight regarding "**Succession Planning, What are YOU waiting for?**" and best practices for engineering a smooth transition when it's time to divest or retire from your business.

Thursday's afternoon business sessions – "**Federal Legislative Outlook 2015: Challenges and Opportunities for the Hardwood Industry**," presented by Hardwood Federation Executive Director Dana Cole, and "**Addressing the Logging Dilemma**," presented by Hatton-Brown Publishing Executive Director, D.K. Knight – will be topped off by the ever popular **Industry Confab**. These round-table discussions, with topics ranging from end-coating options to insurance and liability concerns, will be led by industry suppliers and Expo participants. (Thanks for stepping-up guys.)

There's a lot more on tap and you'll find it all at www.HMAmembers.org. Take a look!

Answering the Call – NatCon Sponsors



At the **Exhibitor Event Sponsor** level, for the fourth consecutive year, is the Pennsylvania/Indiana Lumbermens Mutual Insurance Co., Philadelphia, Pennsylvania! In Nashville, they'll be manning Booth #17. Stop by and be sure to thank them for supporting the HMA to the max. (www.plmilm.com)



Also at the **Exhibitor Event Sponsor** level, and supporting the HMA to the max, is supplier and industry friend USNR, Woodland, Washington. A regular participant in HMA annual and regional events, visit them at Booth #12 **and** Booth #13 to discuss USNR's latest and greatest. (www.usnr.com)



At the **Diamond Sponsor** level is Thompson Appalachian Hardwoods, Inc., Huntland, Tennessee. Nordeck Thompson is a member of HMA's Executive Committee and daughter Claire Thompson Getty, Executive Director of Thompson Appalachian Hardwoods, a member of HMA's Millennial Council. Thanks all around. (www.thompsonappalachian.com)



At the **Platinum Sponsor** level is Anderson-Tully Company, Vicksburg, Mississippi! They will again be advertising in the National Conference Events Guide, so be sure to look for their latest information on the Events Guide inside **back** cover. Thank you ATCO for your ongoing support. (www.andersontully.com)



Stepping up to the plate as a **Platinum Sponsor** is Baillie Lumber Company, Hamburg, New York! As in past years, they too will be advertising in the Conference Events Guide. Check out the inside **front** cover to read all about them. And thank you Baillie Lumber for all you do in support of HMA's education/promotion efforts. (www.baillie.com)



Also at the **Platinum Sponsor** level is industry supplier and longtime HMA event participant, Taylor Machine Works, Inc., Louisville, Mississippi! In Nashville, the Taylor company logo will be "opening doors" for all 2015 NatCon participants. Visit them at Booth #24 to learn how. (www.taylorbiqred.com)



At the **Silver Sponsor** level, and the first to sign on as a 2015 event sponsor, thank you to Judd Johnson and his staff at *The Hardwood Market Report*. Their sponsorship will be underwriting Thursday morning's *Succession Planning* learning session. (www.hmr.com)



Also at the **Silver Sponsor** level, Thompson Hardwoods, Inc., Hazlehurst, Georgia! The refreshments during Thursday morning's Coffee Break in Nashville will be compliments of Thompson Hardwoods, Inc. And for your extra support of HMA's education/promotion campaign, a special thank you. (www.ThompsonHardwoods.com)



At the **Bronze Sponsor** level is "repeat" sponsor Frank Miller Lumber Company, Inc., Union City, Indiana! To Bob Miller, HMA's Second Vice President **and** Millennial Council Coordinator, thank you for all that you do! Your enthusiasm is contagious. (www.frankmiller.com)

More than just Talk

By Linda Jovanovich
HMA Executive Vice President

Daylight is at a premium and warm sunshine has been replaced with snowflakes and wind chills. Ugh! And while not yet “officially” here, it’s winter nonetheless, and time for me to focus on HMA’s 2015 Plan and Budget. As I prepare for the upcoming year, I can’t help but reflect on the one that’s coming to a close.

Black is the new red for the HMA, and a very welcomed and becoming color to a much plumper bottom line! I feel very good about where our association is today, and will certainly remain focused on continuing this positive trend. As you well know, the past six years haven’t been easy. Thank you for your support!

Membership is on the rise. Not only have we welcomed back old friends, we’ve made new ones. The plan is to continue to foster new relationships and grow the HMA membership ranks. Please read Skipper’s column to learn of your role in this effort.

Our 2014 **events** not only resulted in record-breaking attendance, but radiated a level of energy and enthusiasm not felt for many, many years. And if the response to the 2015 National Conference and Expo is a sign for the coming year, I am very encouraged. The exhibitor booth space is completely sold. Member and supplier commitments as Conference sponsors are being made. And the hotel is well on its way to being sold out. Make your reservations **NOW**. The OMNI tells me all Nashville hotels are experiencing 100 percent capacity, these days!

I’ll close by wishing each of you a very happy Christmas and a healthy and prosperous New Year. I look forward to working with you in 2015. Let’s make it a great year for us all.

Need-to-Know Affordable Care Act Implications

By Paul Impellicceiri
A.F. McGervey & Co., LLC

The results of the recent elections have prompted much discussion about the status of the **Patient Protection Affordable Care Act** (PPACA), an on-going issue creating confusion for many employers. Some portions of the act have been in force since the beginning of 2013, while implementation of most provisions, including the “Employer Mandate,” has been delayed until 2015, and beyond.

The “**Employer Mandate**” is defined as the requirement that all businesses with over 50 full-time equivalent employees provide health insurance for their full-time employees, or pay a per-month “Employer Shared Responsibility Payment” on their federal tax return.

This is the crux of the new law and has garnered most of the attention.

The number of employees a company maintains is very important in determining the Act’s application.

- **Small** employers, generally defined as companies with less than 50 full-time employees, are exempt from the Act.
- **Mid-size** employers, 50-100 full-time employees, are exempt from the “employer mandate” through the end of 2015. These employers will need to start insuring their workers by 2016.
- **Large** employers, 100 or more full-time employees, will need to start providing health benefits for at least 70% of their full-time employees by 2015 and 95% by 2016. Those employers who may be close to these thresholds will need to review the

details of the law to determine if it applies to them. The Act has specific guidelines as to which employees are considered full-time or full-time equivalent.

Reporting Requirements

Beginning in 2015, **both** Mid-size and Large employers will have **reporting requirements**. This reporting will require the company to certify that it offers minimum essential coverage to its full-time employees and their dependents; the length of any waiting period; the monthly premium; the employer's share of the cost; the number of full-time employees by month; and the name, address and social security number of each of its full-time employees.

Tax Credit

To help offset the cost of providing employees insurance, a **Small Business Health Care Tax Credit** is available. A company must have fewer than 25 full-time employees and the average annual wages it pays to those employees must be less than \$50,000 per year. The premiums that the employer pays must be for coverage under a qualifying arrangement, and insurance generally must be obtained through the ACA's Shop Program.

Provisions already in place

Additional Medicare Taxes apply to wages, compensation and self-employment income in excess of \$200,000 (\$250,000 for a joint return). Employers must withhold Additional Medicare Tax on wages paid to employees in excess of \$200,000 in a calendar year. In addition, a **3.8% Net Investment Tax** is imposed on investment earnings including interest, dividends, capital gains and rents for some individuals with income in excess of \$200,000 (\$250,000 married filing joint). Both of these provisions are funding mechanisms for the PPACA and many individuals have already felt the effects of these provisions in their 2013 tax bills.

Many employers have already experienced the impact of the new law when they received their renewal rates for their current insurance plans. The act provides for insurance exchanges to be established to provide additional options for coverage, but implementation varies from state to state. Companies may choose to pay the Employer Shared Responsibility Payment (**penalty tax**) in lieu of offering future coverage to employees, thinking it is a less expensive alternative. But keep in mind, unlike employer contributions to employee premiums, the Employer Shared Responsibility Payment is **not** tax deductible.

Paul Impellicceiri is a partner at Pittsburgh-based accounting/auditing firm, A. F. McGervey & Company, LLC and can be reached for comment at (412) 653-6101 or impell@afmcgervey.com.

On the Dais for the SCFA

The South Carolina Forestry Association (SCFA), "representing all segments of the forestry community, and dedicated to forest conservation and the sustainable use of natural resources," recently convened its annual meeting in Hilton Head. The event was themed, "Progressive Forest Business: Strategic Change," and included on the dais, along with Plum Creek CEO, Rick Holley, and Sustainable Forestry Initiative President and CEO, Kathy Abusow, was HMA President, **Skipper Beal**.

His presentation, "A View of the Hardwood Industry," chronicled the changing hardwood industry and the many challenges being encountered by the hardwood producers who have to date, successfully weathered the economic storm. "Change is inevitable," he said, "but the successful lumberman has always been able to survive by adapting, and serving new markets when they present themselves."

He went on to say that, "There are just a few hardwood producers in South Carolina. But because of the networking opportunities made available by trade associations like the

Hardwood Manufacturers Association, the Railway Tie Association and many others, we're connected across the country. And it's that kind of community that's gotten the hardwood industry to this point."

To view Skipper's PowerPoint Presentation, visit www.scforestry.org.

Hardwood Federation Update

By Dana Lee Cole

Hardwood Federation Executive Director

Campaign 2014 is finally over and in the books. Sort of. We still have a runoff for the Senate seat in Louisiana. But what we know now is that Republicans took over the U.S. Senate majority; made impressive gains in the U.S. House and won unexpected victories in Governors' races. The Democrats are analyzing disappointing results for their party and planning for a new balance of power in Washington, for the next two years. But **will the new leadership structure make any difference in the way Washington runs?**

Most political analysts read the November election outcomes as voter frustration with the current grid lock and as a message that compromise is needed and wanted! Facing low approval ratings and voter discontent, House and Senate leadership, as well as the White House, are signaling that they want to work together to pass laws that will move the U.S. forward.

Incoming Senate Majority Leader McConnell has pledged to take up bills and allow for amendments from both Republicans and Democrats. This will help ease the log jam and move legislation forward. However, this does not mean more bills will actually pass both Houses and be signed into law. The GOP made major gains in November, but the Majority Leader will not have a filibuster proof, 60 vote majority in the upper chamber. Leader McConnell will have to garner half dozen Democrats to vote with the Majority on anything that hopes to have a chance of passage.

Republicans will need to prove they can lead and put forward reasonable legislation if they hope to maintain seats in 2016. And **Democrats** are eager to have a voting record to run on that is viewed as economically sound and socially progressive. There may be room for compromise, as everyone looks towards the future and the next Presidential election.

So what does this mean for the Hardwood industry? Early indications are positive.

- Priority issues like **energy** efficiency and **transportation** policy will likely be revived.
- Oversight of proposed rules governing U.S. waters and **biomass** carbon accounting could increase.
- Federal **forest management** policy has become an issue of interest on both sides of the aisle and could see action in the new Congress, although compromise with the White House will be essential for actual change to be implemented.
- **Tax reform** is now being discussed as an area where Republicans and Democrats could find common ground next year.
- **Immigration** reform may also find itself in this category, although if the President signs an Executive Order on immigration this year, all bets are off.
- **International trade** policy is also expected to be an area where negotiation will find fruit.
- Initial work on the **next Farm Bill**, believe it or not, will begin in 2015, with hearings on aspects of the current bill that are working, and those that are not.

The Hardwood Federation has good relationships with a number of the returning Republicans that will be moving into leadership roles, and we look forward to strengthening those ties. And we are already plotting out a strategy to meet with new members and

Committee Chairs. We will also continue to work closely with our supporters on the Democratic side of the aisle. They will be essential to moving our agenda forward over the next two years, as well as establishing long term allies.

Bottom line: We are excited about our work and will continue to monitor, assess and take action on those federal policies that most impact the Hardwood industry. As always, thank you for your engagement and generous support. And all the best in 2015!

EPA Releases Carbon Accounting Framework

Late in November, the Hardwood Federation distributed the following biomass update.

On November 19, "the U.S. EPA released the long awaited carbon accounting framework for biomass. This proposed framework will ultimately determine how, or if, carbon emissions from biomass combustion will be treated under various Clean Air Act programs and requirements.

On cursory review, the documents released today acknowledge that biomass residuals, like sawdust produced in our hardwood mills, will be considered a carbon neutral fuel source. This is a very positive step.

As we all know, sawdust generated at our mills is used either to heat and power our facilities or converted into pellets to be used to heat homes and businesses across the country and the globe. Without these secondary uses, this material would be destined for landfills, degrade and ultimately release carbon without capturing valuable energy. Converting saw mill residuals into affordable, locally produced, carbon neutral fuel is a triple win for consumers, jobs and the environment.

We are now evaluating the larger framework document that was released. Upon initial review, it seems to take a fairly complicated approach to determining the carbon emissions profile of various biomass feedstocks. However, it is a lengthy document and will take some time to evaluate. We will continue working with our forest product association allies in conducting an in-depth analysis and look forward to participating in the public comment process."

For more information, contact the Hardwood Federation at 202.463.2452.

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