



December 2018

The advertisement features a central image of a person in a suit standing on a rocky outcrop, looking out over a cloudy sky. Several red arrows point upwards from the bottom, each containing a different icon representing various risks: a factory, a fire, a building, a globe, and a tree. The text "EMERGING RISKS" is prominently displayed in large, white, bold letters, with "Are you prepared?" in a smaller, yellow, italicized font below it. To the right of the person, the HMA logo is shown, along with the text "HMA NATIONAL CONFERENCE AND EXPO", "March 20-22, 2019", and "Hyatt Regency Savannah, GA". At the bottom, a yellow banner contains the text "Several Expo Booths are available. Reserve your spot, today." and the phone number "412-244-0440".

A message from HMA's President

By Bob Miller

The topic of my column this time around is **mentoring**, and the significant role HMA plays in that very important activity. And I ask that for the next several moments, please bear with me as I share memories and personal experiences that have brought me to where I am today. Here goes.

I attended my first HMA Regional Meeting about 15 years ago. Back then, I was quiet, somewhat inexperienced, more a follower/less a leader, and to a great degree intimidated by the industry wherewithal emanating from the HMA members in attendance. In short, I was a 'newbie' on the hardwood scene, and the likes of Susan Regan, and the host of other industry influencers at that Regional, unnerved me. (I even did my best to avoid talking with Linda Jovanovich. Imagine!)

Thankfully, as time went on and my participation in HMA events increased, my 'jitters' were replaced with a sense of belonging and a heightened enthusiasm for the industry. I attended as many HMA events as possible, and eventually, when asked to serve on HMA's Board of Directors, I accepted. I will always remember my first Board Meeting, because that's when it happened.

Terry Brennan was HMA President, and our economy and industry were going through a rough time. The discussion was HMA Member Services, and Terry changed my life forever when he asked, "Bob, what do you think?" Gosh, talk about a deer in the headlights! Yet, despite my sweating palms and crackling voice, I stated my thoughts, and much to my surprise and delight, many of my industry colleagues felt much the same way.

So, why was this meeting so important to me? It was the meeting where Terry Brennan pulled me out of my comfort zone and got me more engaged in HMA, in my professional life, and in my social life. And that was just the beginning.

As the years went by and my HMA participation increased, I was elected an HMA Officer, asked to serve as Coordinator of HMA's Millennial Council (today's NextGen Leaders Council), and now, here I am, serving as HMA's President.

Along the way, I've been greatly influenced by many positive and knowledgeable HMA associates. Their mentoring was significant. They educated me about the HMA and our industry. They also helped me through more than a few difficult times. They are valued colleagues, for sure. But more than that, they also are wonderful friends!

My bottom line message to you is this: If you have people in your company who are looking to mature professionally and personally, get them involved in HMA sponsored events. And the **Hardwood Leadership Development Retreat**, coming up January, would be a great start. Details on the symposium are available at www.HMAMembers.org. Get them involved and watch them grow. Worked for me!

Happy Holidays,

Bob

Joining the ranks of the HMA

From all of us at the HMA, a hearty 'welcome back' is being extended to **Missouri-Pacific Lumber Co, Inc.**, Fayette, Missouri. President Bucky Pescaglia will serve as HMA's Main contact. And in addition to Bucky, we hope to see Ryan Pescaglia and other company representatives at the National Conference and Expo in Savannah. If you would like to send along a personal 'welcome back' greeting, email Bucky at buckyp@mopaclumber.com.

Looking to Grow your Management Team?

Then the **2019 Hardwood Leadership Development Retreat** is just the ticket. Set for **January 28-30**, at the BB&T Leadership Institute in Greensboro, NC, the three day professional leadership training symposium is designed to help individuals maximize their potential and instill the values and behaviors that create a strong culture of leadership.

Hosted by HMA, AHMI and NHLA, and geared to the specific needs of the hardwood industry, the Retreat offers a significant development curriculum for the aspiring, young manager(s) within your organization, combining expert psychological insight with professional leadership training to develop people to become dynamic leaders, increase employee retention and improve the bottom line for companies.

Seats are filling quickly, so don't delay. Visit www.HMAMembers.org for all of the specifics on Registration, Costs, Housing and Program Schedule. It's an excellent opportunity to grow your management team. Don't miss it.

Conference sessions being finalized

For those of you wanting information regarding the 'other' business sessions and presentations being planned for HMA's **2019 National Conference and Expo**, March 20-22, in Savannah, here goes ...

In addition to the opening session, "**Enterprise Risk Management**," - conducted by John Smith, Pennsylvania Lumbermens Mutual Insurance Company, and augmented by

testimonials from HMA members - and **"An Economic Outlook"** by economist Brendan Lowney, Forest Economic Advisors LLC, the agenda includes presentations on:

- **"Hardwood Market Trends"** – as Angela O'Neill, Director of Marketing, Wellborn Cabinet, Matt Weaber, CEO of Weaber, Inc., and Emily Morrow Finkell, CEO of EF Floors & Design present the latest on Cabinetry, Moulding/Shiplap, and Flooring, respectively.
- **"Best Business Practices SoundBytes"** – short clips of information regarding Social Media Marketing, Benchmarking and Advocacy presented by industry friends and associates Isaac Oswalt, Founder and Owner of 21 Handshake, Bree Urech-Boyle, CFO of National Wood Flooring Association, and Dana Lee Cole, Hardwood Federation Executive Director.
- **"Counting Growth Rings: Building Upon a Legacy of Hardwood"** – a video presentation documenting the wit and wisdom of the men and women who have influenced the Hardwood industry and the HMA. (A project of the HMA NextGen Leaders Council)

Of course there's more, but first things first!

Early Bird Registration for HMA (and SCMA/WCMA) members is up and running at www.HMAmembers.org. Take advantage of the \$395 registration rate and let the Savings begin. (Remember - after January 7, member registration is \$445.)

Also, it's very important that Hotel Reservations at The Hyatt Regency Savannah, Two West Bay Street, be made sooner than later. No deposit is required, and should your plans change, just cancel your reservation within 72 hours of arrival to avoid a cancellation fee. So please act now.

- HMA's negotiated room rate of \$205 Single/Double occupancy expires February 25 or when the group block is sold-out, whichever comes first.
- Make your reservation via the Hyatt's web-based reservation system, [here](#).

Other Conference details - a listing of participating exhibitors, available event sponsorships, and the complete Conference agenda – can be found at www.HMAmembers.org. Looking forward to seeing you in Savannah!

Additional Sponsors for 2019 NatCon

National Conference and Expo 2019 is fast approaching. And as we go to press, HMA would like to acknowledge and thank these Conference Sponsors for going Above and Beyond!



At the **Exhibitor Event Sponsor** level, and once again supporting the HMA to the max, is industry supplier and HMA friend USNR, Woodland, Washington! Be sure to stop by Booth#22 for an update on what's new and to thank them for their 'above and beyond' participation in the Expo. (www.usnr.com)



At the **Platinum Sponsor** level is Anderson-Tully Company, Vicksburg, Mississippi! They will again be advertising in the Conference Events Guide. Look for their latest information on the inside back cover of the Guide, and be sure to thank them for their support of the HMA. (www.andersontully.com)



At the **Platinum Sponsor** level is industry supplier Piché, Daveluyville, Quebec! Piché has chosen to be our Room Keycard sponsor, and their company name/logo will be "opening doors" for every Conference participant. Thank you for your sponsorship and for your support of the HMA. (www.picheinc.com)



Also at the **Platinum Sponsor** level is Thompson Appalachian Hardwoods, Inc., Huntland, Tennessee! They have opted to host Thursday's NextGen Reception, a special event for the under 40 crowd, and a fitting choice since Claire (Thompson) Getty currently serves as Coordinator of the NextGen Leaders Council. (www.thompsonappalachian.com)



Thank you to **Platinum Sponsor** UPG/Unified Purchasing Group, South Jordan, Utah! In addition to participating as a Strolling Supplier, UPG is ensuring the efficiency of our mobile devices by sponsoring the Mobile Device charging station. **But there's more!** UPG has also signed on as a **Gold Sponsor** and has opted to be a Vendor-Expo Café lunch sponsor. Be sure to find them in Savannah and give them a hearty HMA 'thank you' for going 'above and beyond!' (www.upg.org)



At the **Gold Sponsor** level is industry supplier Mellott Manufacturing Co., Inc., Mercersburg, Pennsylvania! For 2019, Mellott will once again be sponsoring *The Link* and *HMA Mid-Month Updates*. Please find them at Booth #41 and thank them for this generous show of support. (www.mellottmfg.com)



Thank you to **Gold Sponsor** New River Hardwoods, Mountain City, Tennessee! You'll be seeing their name a lot, since New River has opted to sponsor the 2019 NatCon email and text message alerts that will be coming your way. To Wayne Law and to all the fine folks from New River, thanks for helping us keep in touch. (www.newriverhardwoods.com)



At the **Silver Sponsor** level is Edwards Wood Products, Inc., Marshville, North Carolina! These fine folks have opted to co-sponsor the refreshments of the Morning Coffee Bar. HMA offers our sincere thanks and looks forward to spending time with you all. (www.ewpi.com)



At the **Silver Sponsor** level is Northland Forest Products, Inc., Kingston, New Hampshire! This time around, they will be co-sponsoring the Thursday afternoon Beverage Bar. Our thanks to Jamey French, and everyone at Northland, for your ongoing support. (www.northlandforest.com)



Also at the **Silver Sponsor** level is Thompson Hardwoods, Inc., Hazlehurst, Georgia! The Hotel Room Door Hangers will proudly display their company logo, as a reminder of their sponsorship. And as always, thank you to all at Thompson Hardwoods, Inc. for your support of the HMA. (www.ThompsonHardwoods.com)



At the **Bronze Sponsor** level is Frank Miller Lumber Company, Inc., Union City, Indiana! These generous folks will again be sponsoring one of the Conference learning sessions. To HMA President Bob Miller, and to all at Frank Miller Lumber, a special thank you for all that you do! (www.frankmiller.com)

There is still time to participate. To discuss how, simply contact the HMA office – 412.244.0440 – and together, we'll take a look at what sponsorships are still available.

Industry Support for Hardwood Promotion

Each year at this time, HMA recognizes the many companies which have provided financial support to **HMA's Education/Promotion Campaign**, developed to give the hardwood industry a unified identity, and **The American Hardwood Information Center (AHIC)**, HardwoodInfo.com, the authoritative resource for consumers and building professionals seeking factual information about American Hardwoods.

It is through this kind of industry support and collaboration that our efforts to inspire a renewed preference for American Hardwood products are able to continue. And that promotional endeavors such as: a hardwood feature television segment on The Learning Channel's ***Make This Place Your Home***, AHIC's participation at the New York **Field + Supply Craft Fair**, the upcoming American Hardwood Design Competition, in conjunction with the Pratt Institute Graduate School of Industrial Design, and quarterly editorial news releases are possible.

And so, for the period November 1, 2017 through October 31, 2018, we offer a hearty **thank you** to these generous contributors:

HMA Member Contributors

Anderson-Tully Co.	J.T. Shannon Lumber Co.
Atlanta Hardwood Corporation	Jerry G. Williams & Sons, Inc.
Baillie Lumber Co.	Middle Tennessee Lumber Co.
Bill Hanks Lumber Co.	New River Hardwoods, Inc.
Bingaman & Sons Lumber, Inc.	Northland Forest Products, Inc.
Cersosimo Lumber Co.	RAM Forest Products, Inc.
Dwight Lewis Lumber Co.	T & S Hardwoods, Inc.
East Perry Lumber Co.	The Turman Group
Frank Miller Lumber Co.	Thompson Appalachian Hardwoods, Inc.
Haessly Hardwood Lumber Co.	Wellborn Cabinet, Inc.
Hannafee Brothers Sawmill Co.	Whitson Lumber Co.
Holt & Bugbee Co.	

Non Member Contributors

American Wood Technology, LLC	Reel Lumber
Cedar Creek Hardwoods	SII Dry Kilns
Cotton-Hanlon, Inc.	Stella-Jones Corporation
DMSi Software	Taylor Machine Works, Inc.
<i>Hardwood Market Report</i>	UPG
Mellott Manufacturing Co., Inc.	USNR
<i>National Hardwood Magazine</i>	W.M. Cramer Lumber Co.
Pennsylvania Lumbermens Mutual Ins.	

If your company name does not appear here, but going forward you would like it to, simply give me a call at 412.244.0440 or send an email to ljovanovich@hardwood.org. I look forward to hearing from you.

Hardwood Federation Update

By Dana Lee Cole

Hardwood Federation Executive Director

The takeaway from Election 2018 is that the outcome for both parties was somewhat mixed. What that means to the Hardwood Federation (HF) is that in 2019, we will be working in a very different political environment. And we are gearing up for the action.

The Changes ...

Democrats claimed control of the House of Representatives by picking up 38 seats, an outcome that many political operatives had expected, but obviously not a given in this supercharged political environment and the current uncertainty of electoral polling. And as we go to press, several races remain undecided ...

In the Senate, the upper chamber remains under Republican control with at least 52 seats. Democratic incumbents, Senators Heidi Heitkamp (ND), Joe Donnelly (IN), and Claire McCaskill (MO) were defeated, but Democrats picked up the Republican-held open seat in Nevada and in Arizona.

With a split Congress, any legislation that passes will be done on a bi-partisan basis - there simply aren't enough votes from one party to move partisan bills through both chambers. This probably means that some of the issues that HF has focused on will not move dramatically forward. But it will be our job to make sure that steps are not taken to reverse course on our key priorities, including federal forest management reform, support for federal export promotion programs, science based regulations governing the forest products industry, and a tax structure that supports the small and medium sized businesses that comprise the majority of our industry.

By far, the biggest impact on our day to day work will be in the House, where **all** of the committee chairmanships will change at the beginning of the 116th Congress, 2019. Below is a snapshot of key committees and the new leaders.

- **House Agriculture Committee:** Rep. Collin Peterson (D-MN) will take over this panel next year. We know Mr. Peterson and his committee staff team well. They are well-versed in our policy priorities and have been helpful in advancing hardwood-supported provisions in Farm Bill negotiations this year.
- **House Energy & Commerce Committee:** Rep. Frank Pallone (D-NJ) takes over for Rep. Greg Walden (R-OR). Over the years, Mr. Pallone has not been supportive of some key issues of interest to the hardwood sector, including Boiler MACT relief legislation and measures related to biomass energy, and the carbon profile of biomass combustion.
- **House Natural Resources Committee:** Rep. Raul Grijalva (D-AZ) will take over for Rep. Rob Bishop (R-UT). Mr. Grijalva does not share Rep. Bishop's perspective on issues related to federal forest management and Endangered Species Act reform. Education efforts with him and his committee staff, on the benefits of forest management, will be critical. HF is well poised to frame this issue as a national one that affects Lake States and Eastern forests, and is not just a Western concern.
- **House Transportation & Infrastructure:** Rep. Peter DeFazio (D-OR) will chair this panel. Mr. DeFazio has entertained truck weight reform on our nation's interstate highways as potentially viable, and has vowed to make transportation infrastructure investment a top priority in the next Congress. Mr. DeFazio has been a supporter of the hardwood industry in the past, particularly on federal forest management reform, and we have worked well with him and his team.
- **House Ways & Means Committee:** Rep. Richie Neal (D-MA) takes over for Rep. Kevin Brady (R-TX). Mr. Neal comes from a district heavily populated with anti-biomass advocates, and so education efforts will be made, with him and his staff, on the benefits and efficiencies of heating and powering our mills with biomass residuals. We can expect committee efforts to make changes to the Tax Cuts and Jobs Act, as well.

In the Senate, committee leadership will largely remain the same, with the exception of the Senate **Finance** and Senate **Foreign Relations Committees**. Both chairmen—Orrin Hatch (R-UT) and Bob Corker (R-TN) are retiring.

Regarding the Finance Committee, Senator Chuck Grassley is expected to give up his gavel on the Judiciary Committee and take the Finance Committee helm. But no decisions have been made yet. And if Sen. Nelson does not prevail in Florida, there is speculation that Sen. Maria Cantwell (D-WA) may move from her Ranking Member position on the Senate Energy and Natural Resources Committee to take Nelson's Ranking Member slot on the Senate Commerce Committee.

What happens during the balance of 2018?

The Lame Duck session of Congress will likely be brief. Regarding leadership elections:

Republicans have selected Rep. Kevin McCarthy (R-CA) as their leader in the House, with Rep. Steve Scalise (R-LA) as the Minority Whip. To date, Democrats have yet to take a leadership vote. It is expected that Rep. Nancy Pelosi (D-CA) will be elected Speaker, but opposition in the Democrat ranks continues to grow, and may prevent her from securing the requisite votes.

In the Senate, Majority Leader Mitch McConnell (R-KY) was reelected and Senator John Thune (R-SD) was elected Republican Whip, replacing term-limited Senator John Cornyn (R-TX). Thune's elevation into the Whip position will mean he relinquishes his post as Chairman of the Senate Commerce Committee. Sen. Roger Wicker (R-MS) is in line to succeed Thune at Commerce.

Other items on the table include a government funding measure. The federal government is funded through December 7, and so an extension into the New Year will be necessary. Also potentially on the docket is the annual tax extenders ritual, where a package of expired tax provisions—a few related to biomass energy—is considered.

The highest priority for the Hardwood Federation is the Farm Bill, and we are hopeful that House and Senate conferees can finish their work, and send a final conference report to the President for his signature. As you know, the fate of our trade promotion programs is tied up in Farm Bill negotiations. The provisions for FMD and MAP are favorable, but the bottom line is we need a Farm Bill to be signed this year. And we have been making the rounds with Farm Bill negotiators to forcefully make that point.

So, as we gear up for the New Year and the roster of new Members of Congress, the plan is to reach out to all of these new Members to make sure that they know the value our sector brings to communities around the country, and the economy as a whole.

All the best for an enjoyable Holiday Season!

American Hardwoods in "Down Under" project

"Australian designers seem to have a unique affinity with the natural environment and an innate understanding of how best to bring nature closer to life and leisure." An example of this is the Hungry Fox Café in Melbourne where, with the help of American Hardwoods, patrons are enjoying more than a mouthwatering menu.

About the Project

- **The Exterior** - "The Café is the first project in Australia to use thermally-modified American Tulipwood in exterior cladding. Selected for its rich color and uniform texture, **American Tulipwood** provided not only the aesthetic impact sought by Bruce Henderson Architects, but also the stability. The Thermal modification process heats the Tulipwood to almost the point of combustion. This changes the molecular structure of the timber and results in a material that is durable for outdoor use."

- **The Interior** – With the focus on natural materials, “Interior Architects, Lukas Partners, took on the challenge of creating a contemporary, warm and inviting interior for the Café. The vaulted ceiling, taking its lead from the exterior design, is an expanse of thermally-modified **American Tulipwood**. Chunky **American Ash** tables are accompanied by chairs created from the same timber.” And **American Walnut** panels throughout the space “make the Café the perfect venue to meet for relaxed conversation.”

Visit the American Hardwood Export Council (AHEC), www.americanhardwood.org, for a closer look at the project and to learn more about AHEC, an international trade association for the American hardwood industry.



The Hungry Fox Café
Photo courtesy: Tizia May Photography

The ‘go-to’ species for Indoors and Out

From the coast to the mountains, and everywhere in between, respected builders and seasoned design professionals are **Discovering Southern Cypress** as the material of choice to transform their creative aspirations into luxurious realities.

The versatile species pairs proven outdoor performance with picture-perfect curb appeal:

- Incredibly dense and dimensionally stable, Cypress is a building material less prone to shrinkage and warping, making it ideal for use in areas that are subject to high heat and humidity, and perfect for outdoor applications like siding, covered porch ceilings and outdoor kitchen cabinetry.
- In its natural state, the wood typically displays a light color, with a predominantly yellow, honey-like tone. It can also feature red, chocolate, and even olive hues. And can be painted or stained.
- Cypress’ natural warmth and distinctive good looks complement any architectural style, and the species offers a unique look for architectural elements like accent walls, flooring, decorative ceilings, exposed beams and columns, kitchen cabinetry, and other indoor applications.

The possibilities are endless! Tune in to the video presentation, **Discovering Southern Cypress: The Natural Choice**, and see how Southern Cypress will make a design statement for you.

The Impact of Tax Legislation Changes

By Paul Impellicceiri

A.F. McGervey & Co., LLC

In light of the significant changes to the tax landscape, taxpayers are trying to interpret and measure the impact of the new legislation. As year-end approaches, companies and individuals should seek additional guidance on how to implement and plan for the changes.

Major provisions affecting businesses:

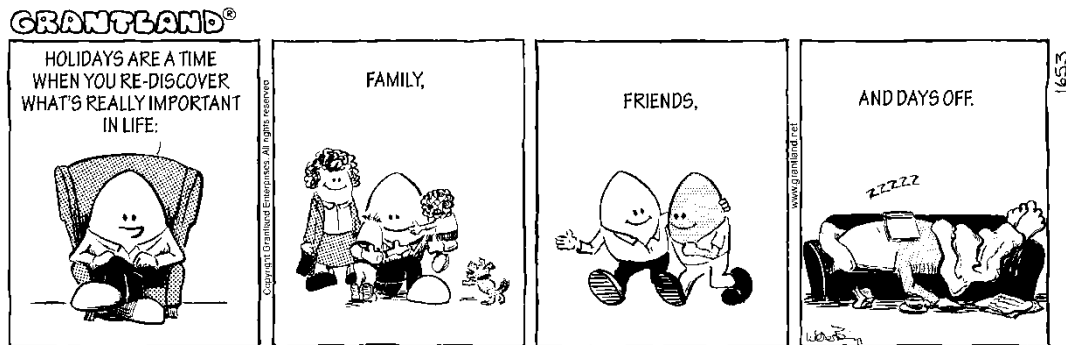
- In an effort to be more competitive in the global market, the C-corporation tax rate has been reduced to 21 percent. This has caused many business taxpayers to revisit their entity structure to determine if a change may make sense.
- Pass through entities are now eligible for the 20 percent Qualified Business Income deduction. Those entities that meet the requirements of the law may have the opportunity of a pass through deduction that reduces the taxable income to its owners by 20 percent. This provision applies to S-corporations, partnerships, and sole proprietorships.
- 100 percent bonus depreciation has been extended to 2018, and for tax years through 2022. After that date, it is phased out over several years. In addition, bonus depreciation now can be applied to used equipment purchases.
- Section 179 expensing limit has been increased to \$1 million, and the phase-out limit has been increased to \$2.5 million for 2018. These limits will continue to be indexed for inflation.
- The new law eliminated the deduction for certain entertainment and related expenses. In an attempt to clarify this provision, the IRS has indicated that meals and related expenses, in conjunction with business meetings and employee functions, may still be eligible for the 50 percent deduction.

Highlights of major provisions affecting individual taxpayers:

- The highest tax rate has been reduced from 39.6 percent to 37 percent. The lower tax brackets have been reduced and adjusted as well.
- The standard deduction for single and married individuals has been increased significantly. This was done in an effort to simplify the tax reporting for millions of taxpayers who will no longer need to track itemized deductions.
- Personal exemptions have been eliminated.
- State and local income taxes, real estate taxes and other taxes are now limited to \$10,000 in total.
- The child tax credit has been increased to \$2,000 per child under 17.
- Miscellaneous itemized deductions have been eliminated.
- The alternative minimum tax exemption has been increased. In addition, the income limitation, before the exemption phases out, has been increased significantly. This will reduce the number of taxpayers affected by the alternative minimum tax.
- The mortgage interest deduction has been limited on new mortgages which exceed \$750,000. As part of this provision, the deduction for home equity debt not used to purchase or improve a residence has been eliminated.

The changes in the tax code will impact almost all taxpayers. It is important to gain an understanding of the effects - prior to the filing season - to minimize surprises and to take advantage of any planning opportunities.

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.



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