



2000 M Street, NW
Suite 550
Washington, D.C. 20036

U.S. Senate Committee on Finance
Individual Income Tax Working Group
Business Income Tax Working Group

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As the Individual Income Tax Working Group and the Business Income Tax Working Group consider changes to the current tax code to make it simpler, fairer, and more efficient, we write to encourage you to weigh the impact of tax policy on keeping forests as forests now and for future generations.

Nearly 282 million acres of forestland in the United States are owned by 22 million family forest owners.¹ As the largest ownership group of forestland in America, these families and individuals are key to protecting the values that come from our forests: clean air, clean water, wildlife habitat, wood products, good-paying rural jobs, and nature for hiking, hunting and fishing.

While data from the National Woodland Owner Survey shows that the primary reason many of these families and individuals own their forestland is not economic—many list aesthetics, recreation, and heritage as a primary objective²—tax policies can serve as either important tools to help conserve forestland or as a major deterrent to long-term sustainable forest management. This is especially true when development pressures and land values escalate, putting forest owners in a situation where they may be forced to sell because increasing taxes make owning and caring for the land unaffordable.

According to the USDA Forest Service 2010 Resource Planning Act Assessment, *Future of America's Forests and Rangelands (2012)*, we could see a potentially staggering loss of up to 34 million acres of our forests by 2060 to development. From increasing development pressures to unpredictable wildfires, insect and disease infestations, and other natural disasters, our forest land is a unique and risky investment, requiring a truly long-term commitment for returns. While landowners assume a great amount of risk with little economic reward, the social and ecological benefits are innumerable.

Whether a family forest owner files considers their land an investment as an individual or a small business, there are several existing tax policies that help to ensure family forest owners

¹ USDA Forest Service, National Woodland Owner Survey Preliminary Results (2013)

² Ibid

conserve their forestland and continue to provide benefits like clean air and water, wildlife habitat, and opportunities for recreation. The “timber tax” provisions in the federal income tax code provide landowners with needed capital to replant after a harvest, conduct the ongoing maintenance necessary year after year to keep their forest healthy and productive, and conserve their forestland for the long haul. Tax policies that make long-term forest management affordable for families help to conserve forestland and keep it healthy for future generations.

In a 2014 survey of our network, family forest owners certified to the American Tree Farm System® provided feedback on how federal tax tools help them accomplish conservation goals on the ground. Below are the main takeaways from the survey responses.

1. Tax incentives help landowners achieve good conservation practices on-the-ground.

More than 75 percent of the woodland owners who responded have used the tax incentive that allows them to deduct their annual forest management expenses for activities to maintain and improve their woodlands, with more than half using this tax benefit every single year to keep their woodlands healthy. Some of the frequent activities woodland owners do on their land as a result of this particular tax incentive include maintaining roads and fire breaks (68 percent), working with a consulting forester (55 percent), and thinning to improve forest health (47 percent).

2. Tax incentives for replanting are key for healthy woodlands and habitat.

Half of the survey respondents familiar with the reforestation tax incentive have used it to replant after a harvest or a devastating wildfire. One respondent poignantly stated that because of the reforestation tax benefit, *they were able to “put the forest back as quickly as possible to preserve wildlife habitat and decrease soil erosion.”* This tax tool particularly helps small woodland owners with the upfront costs to replant after a devastating fire or timber harvest.

3. Capital gains tax tool helps landowners invest for the long-haul and gives them more flexibility to do what’s needed on their land.

More than half of the respondents (56 percent) have used the capital gain tax benefit for forest owners. One respondent stated that this tax tool *allows forest owners to “do a better job of replanting the forest and gives us more money to do a better job of managing our woodlands. Without capital gain treatment there would be little incentive to take the long term risk of raising timber and the landowner would most likely convert their woodlands to some other less risky investment.”*

4. Tax tool for long-term conservation is needed to help many landowners facing increasing development pressures.

A small percentage of respondents have used the enhanced conservation easement tax incentives in the past, which helps landowners facing increasing development pressures to keep their land by donating a conservation easement. Unfortunately, this tax provision expired at the end of last year, but if Congress were to renew this tax benefit, more than twice as many woodland owners (15 percent) said they would plan to donate a conservation easement on their property. We encourage the committee to make the conservation easement tax benefit for working lands permanent, helping to conserve working forests.

Owning and caring for woodlands is a unique, long-term investment with significant risks from wildfire, insects and disease, and development pressures. Allowing forest owners to treat their income as a capital gain instead of ordinary income recognizes these significant risks and encourages forest owners to invest in their land for the long-haul. We would encourage you to prioritize tax policies that ensure long-term forest ownership is affordable for families, helping to conserve forestland and keep it healthy for future generations.

Without the proper tax policies in place, we could see conversion of forests to non-forest uses, in addition to low reforestation rates. As the committee considers tax policies both in the near-term and with comprehensive tax reform, we encourage you to support tax provisions like the ones above that provide incentives for healthy, working forests and all the benefits they provide for generations to come.

The American Forest Foundation works nationwide and in partnership with local, state, and national groups to provide hands-on, on-the-ground support for America's over 22 million family forest owners, giving them the tools they need to conserve their forests and protect forest values, including clean water, wildlife habitat, recreation, and wood products. Through our largest program for family forests, the American Tree Farm System, an internationally recognized third-party audited forest certification system and through our on-the-ground conservation work, we have more than 70 years of experience working with family forest owners.