

# Keep the Forest in the Family

## Fix the Estate Tax for America's Family Forest Owners— Rural Jobs, Clean Water, and Wildlife Habitat are at stake.

Families and individuals own more forests in the U.S. than the federal government or private industry. The federal estate tax can have a significant impact on these families, when a loved-one dies and leaves the children and grandchildren an estate tax bill.

America's family forest owners need a permanent solution to the estate tax that includes both of the following:

- **Make the current exemption level of \$5 million** (adjusted for inflation) **and tax rate of 35 percent permanent.** The current exemption level of \$5 million and tax rate of 35 percent provides estate tax relief for most family forest owners, but because it is temporary, it makes it difficult to plan for family succession.
- **Fix a provision in the current estate tax law so it encourages forest owners to continue sustainable forest management.** Special use valuation could help reduce the estate tax burden on family forest owners, but there are problems with the way it treats forest owners.

### The Facts:

- The estate tax problem is imminent. **52 million acres of America's family forests will change hands in the coming years**, because these lands are owned by someone 75 or older.
- Family forest owners are overwhelmingly **middle-class Americans**, with 82 percent having annual household incomes of less than \$100,000. When estate taxes come due, families are often forced to sell or harvest timber prematurely.
- America's forests support over 1 million jobs and privately owned forests support a significant portion of these jobs—**every 1,000 acres of private forests supports an average of eight jobs.**
- More than **25 percent of Americans' fresh water flows out of and is filtered by private forests**; for every 10 percent increase in forest cover, water treatment and chemical costs decreased approximately 20 percent.
- **Inaction Will Lead to Forest loss:** If Congress doesn't fix the estate tax by the end of 2012, the tax will revert back to 2001 levels and the number of family forests owners facing an estate tax bill will jump by 400 percent.

**Special Use Valuation** could help reduce the estate tax burden on family forest owners.

**What is it?** In the current federal estate tax law, farmers and forest owners can elect a "**special use valuation**" that allows them to value their land and timber at current use value (the value if it continues as forest or farm) instead of fair market value (e.g. the value for development).

**Problems:** Unfortunately, if they elect special use valuation, **forest owners are penalized for harvesting timber within the first ten years.** (Traditional agriculture crops are treated differently.)

**Consequences for Forest Health and Jobs:** These penalties discourage good forest management. Timber harvesting is important for income to landowners, but it also keeps forests healthy by reducing wildfire, insect and disease risks, and creating habitat for wildlife.

**Congress should fix to the estate tax for family forest owners to keep the forest in the family.**

**Support the Family Farm Preservation and Conservation Estate Tax Act (HR 390):** this legislation is another option for permanently fixing the estate tax for most family forest owners because it allows families to defer the estate tax as long as they keep their forest or farm in the family and keep it working.



American Forest Foundation

*The American Forest Foundation is a non-profit organization that gives people the tools they need to be effective stewards of America's natural heritage. We work with educators, family woodlands owners, and partners in every state to keep our forests healthy and our children well-prepared for the future they will inherit. We grow stewardship every day.*