

March 18, 2014

The Honorable Ron Wyden
Chairman
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Wyden:

As private forest owners and forestry partners, we write to congratulate you on your recent appointment to serve as Chairman of the Senate Finance Committee. The Committee will benefit from your thoughtful and inclusive leadership.

Private working forests provide a variety of important public benefits in Oregon and across the country, including housing and consumer products, renewable energy, clean water, fish and wildlife habitat and outdoor recreation. We share your strong interest in maintaining the full range of these benefits.

As you and your colleagues consider options for tax reform in the months ahead, we look forward to working with you to approach this difficult task in a way that strengthens our economy, improves the quality of life for hard working families, particularly in struggling rural communities, and improves the environment. We wish to draw your attention to three provisions in the tax code, collectively referred to as the "timber tax" provisions, that enable our private forests to help accomplish these important objectives:

- **Deduction for timber growing costs.** Current law allows forest landowners to deduct operating costs in the year that they are incurred, rather than capitalizing these costs over the decades – up to 80 years – it takes trees to reach maturity. (IRC Sections 162 and 263A(c)(5))
- **Timber revenue subject to capital gains.** Since 1943, the Internal Revenue Code has recognized the long-term nature of timber investment and has treated proceeds from timber harvest and the sale of standing trees as capital gains. (Sections 1231(b)(2) and 631(a)&(b))
- **Deduction and amortization of reforestation.** Reforestation involves significant up-front costs and is environmentally beneficial; thus current law allows all owners of working forests, including individuals, corporations, and partnerships, to deduct up to \$10,000 of reforestation costs per stand as they are incurred and amortize the remaining costs over seven years. (IRC Section 194)

These provisions enable forest owners to reconcile the long growing cycles for trees with the substantial up-front and ongoing costs of tree planting and timber land management, including forest health protections and the payment of taxes and interest. They also enable forest owners to invest in research and environmental protections and to take measures that reduce exposure to high risk natural disturbances like fire, pests and disease that are largely uninsurable.

We recognize that your deliberations in the months ahead will be informed by the work of others in the House and Senate who share your commitment to improving the tax code. Recent proposals would eliminate some or all of the timber tax provisions and add new language to the tax code that would eliminate timber REITs altogether. Such measures would needlessly harm the forestry sector during a time of economic recovery, jeopardize jobs in rural communities and discourage investment in sound forest management while providing little, if any, offsetting revenue to the Treasury. They would also unnecessarily drive more private forests into alternative land uses.

We urge you to resist these measures in favor of an approach that fosters and maintains the full range of public benefits our private working forests provide. We are committed to stand with you to achieve this important objective in Oregon and in forested states and communities across the country.

Sincerely,

Alabama Forestry Association
American Forest Foundation
American Loggers Council
Arkansas Forestry Association
Associated Logging Contractors of Idaho
Associated Oregon Loggers, Inc.
Association of Consulting Foresters
California Forestry Association
Empire State Forest Products Association
Family Forest Foundation
Florida Forestry Association
Forest Landowners Association
Forest Landowners Tax Council
Forest Resources Association
Georgia Forestry Association
Great Lakes Timber Professionals Assn.
Hardwood Federation
Idaho Forest Owners Association
Kentucky Forest Industries Association
Louisiana Forestry Association
Louisiana Logging Council
Massachusetts Forest Alliance
Maine Forest Products Council
Michigan Forest Product Council
Minnesota Forest Industries
Minnesota Timber Producers Association
Mississippi Forestry Association
Missouri Forest Products Association
Montana Wood Products Association

National Alliance of Forest Owners
National Association of Conservation Districts
National Association of State Foresters
National Assn. of University Forestry Programs
National Woodland Owners Association
New Hampshire Timberland Owners Assn.
North Carolina Association of Professional Loggers
North Carolina Forestry Association
Ohio Forestry Association
Oklahoma Forestry Association
Oregon Forest Industries Council
Oregon Small Woodlands Association
Oregon Women in Timber
Pennsylvania Forest Products Association
Society of American Foresters
South Carolina Forestry Association
Southeastern Lumber Manufacturers Assn.
Tennessee Forestry Association
Texas Forestry Association
Virginia Forest Products Association
Virginia Forestry Association
Washington Farm Forestry Association
Washington Forest Protection Association
Wisconsin Paper Council
Wisconsin Woodland Owners Association
West Virginia Forestry Association