

# Maintain Tax Incentives for Sustainable Family-owned Forests



Reforestation is key to the long-term sustainability of our working forests, but it can be a financial burden, particularly for family forest owners who may lack the capital to cover the up-front expenses. The existing reforestation tax deduction is important to support reforestation on private forestland, particularly for smaller, family-owned forests.

- In 2013, the reforestation tax deduction supported reforestation work on as many as 800,000 estimated acres across the country .

Without the proper tax policies in place, we could not only see low reforestation rates, but also pre-mature timber harvesting, reduced investment in the needed ongoing management of forestland, and conversion of forests to non-forest uses.

**Congress should maintain the following tax provisions to promote reforestation and to ensure that families and individuals who own forestland can continue to keep their forests healthy and intact. The provisions allow forest owners to:**

- Deduct up to \$10,000 of reforestation costs per stand, with the remainder amortized over 7 years. (Section 194).
- Deduct the costs of forest management, including prevention measures (fire, pest and disease), thinning, fertilization, interest, taxes, protection of wetlands and endangered species, and forestry activities. (Sections 162 and 263A(c)(5))
- Treat income from harvesting timber as a capital gain, supporting long-term planning and helping to keep working forests working.(Sections 1231(b)(2) and 631(a)&(b))

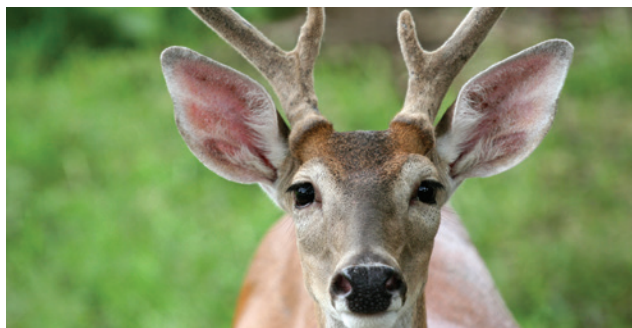


Without these tax provisions, it will be difficult for forest owners to cover the upfront capital expenses needed to ensure a healthy forest and sustain this long-term resource.

*For more information about this issue, please contact Melissa Moeller, [mmoeller@forestfoundation.org](mailto:mmoeller@forestfoundation.org).*



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**The American Forest Foundation works on the ground with families to promote forest stewardship. Through a number of programs, including the American Tree Farm System®, we give families the tools they need to maintain healthy and productive forests.**



# Help Family-owned Forests Recover from Fire, Hurricanes, Tornadoes, and Ice

Sudden catastrophic events can wreak havoc on forestland. Often, the loss is devastating, and families experience both financial and personal loss. The loss is not only in the monetary value of the timber but also in the blood, sweat and tears of long-term woodland management. Most forest owners cannot afford insurance for their forests, because insurance companies treat forests as a very risky investment.

Family forest owners may claim a casualty loss deduction to have capital for cleanup and reforestation following a catastrophic event, but under the current casualty loss provisions, forest owners may see a severely low deduction or no deduction at all.

Current casualty loss provisions allow family forest owners to deduct the lesser of two options: the basis of their timber or the loss they experienced. Most often, the forest owner can only deduct the timber basis from a casualty loss because the basis is significantly lower than the loss.

Example: A family may purchase land for a relatively small amount and spend \$265 per acre planting trees. After thirty years of responsible management, property taxes, and patience, those trees may be worth \$6000 to \$7000 an acre. The family has spent decades growing the trees, and likely has planned their future around that income. If they suffer a devastating loss, a deduction of simply the basis will not account for the financial loss, and if the family has the means to clean up and reforest, it will be another 30+ years before they are able to grow new trees to the same value.

Many families need to see real possibilities and incentives for continuing to manage their forestland after a catastrophic event in order to continue to keep their land in the family and keep it healthy.

## **Congress should pass legislation to:**

- Revise the current casualty loss provisions to ensure family forest owners can recover more of their losses from events like wildfire, hurricanes, tornadoes, and ice; and
- Allow forest owners to recover casualty losses from damage from forest pests and diseases.



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