August 6, 2014

The Honorable Dave Camp Chairman Committee on Ways and Means U.S. House of Representatives 1110 Longworth House Office Building Washington, D.C. 20515

Dear Chairman Camp:

The undersigned organizations represent a broad and diverse group of forest landowners, forest products manufacturers, and conservation partners. We also write on behalf of the 22 million family forest owners across the country.

As Congress considers comprehensive tax reform and fundamental changes to the tax code, we write to encourage the Committee to retain the current tax treatment for timber, which works for trees, forestland owners, wood products and paper manufacturing, fish and wildlife, and outdoor recreation. We appreciate the opportunity to provide comments on the draft Tax Reform Act of 2014 released in February 2014. Our organizations are concerned that the proposals relating to timber in the draft legislation would have a significant detrimental impact on private U.S. forestland owners, the economy and public benefits from working forests, including an increased risk that owners would convert their forestland to other uses.

Current provisions in the tax code recognize that timber is real estate and reflect the unique nature of owning and managing private forestland. These provisions help attract and retain private capital to ensure that working forests support jobs and provide environmental benefits. Private working forests are owned by both individuals and corporate structures. Current law is well-suited to timber as a real estate asset class as it enables private landowners and investors to:

- Receive capital gains treatment for the harvest of timber or sales of standing trees. (Sections 1231(b)(2) and 631(a)&(b));
- Deduct the costs of forest management, including prevention measures (fire, pest and disease), thinning, fertilization, interest, taxes, protection of wetlands, and forestry activities. (Sections 162 and 263A(c)(5)):
- Invest in timber Real Estate Investment Trusts (REITS), based on the IRS determination that timber is real property under the REIT rules; and
- Deduct up to \$10,000 of reforestation costs per stand, with the remainder amortized over 7 years. (Section 194).

We wish to express our opposition to the draft proposals to eliminate the current capital gains treatment of timber revenue, deductions for management and reforestation expenses and the ability of timber REITs to provide timberland investment opportunities.

These changes would undermine one of the critical financial elements that enables private forestland, which constitutes more than 50% of forest land in the U.S., to produce over 90% of the timber used to manufacture forest products. Timber from private forests helps support the recovery of the U.S. housing industry and wood products manufacturing.

Congress has long recognized that working forests have unique economic attributes that do not necessarily match easily with general tax principles. It can take between 20 and 80 years before a forest stand is harvestable. This investment in forests ties up large amounts of capital in the land, but the forest owner must also bear substantial annual costs to maintain the forest

(including fire prevention, road maintenance and pest control) to improve the growth and productivity of the trees.

Additional costs are incurred for replanting after harvest as well as for environmental protections and set-asides for wetlands, sensitive species and other significant natural resources. Moreover, healthy forests provide significant societal value by curtailing erosion, creating wildlife habitat, sourcing drinking water, sequestering carbon and maintaining lands for a range of outdoor recreation such as hunting, fishing, camping, boating and snow-mobiling.

Forests generate jobs for American workers and investment opportunities for families who rely on their equity in private forestland to support their retirement and other financial goals both directly and through REITs and pension funds. Overall, the forest products industry sustains over 2.4 million direct, indirect, and induced jobs nationwide.

Since 1950, the timber tax provisions have helped to encourage economic growth. In fact, since their passage, timber volume has increased by nearly 50 percent on approximately the same amount of forested acres. Two-thirds of that increase has occurred on private forestland.

As you examine various options for tax reform, we urge the Committee to retain the current law which recognizes that: timber is a long-term real estate investment; decisions to invest in timber were made decades ago; and changing the tax treatment would significantly and negatively impact working forests that contribute to economic growth and environmental quality.

Thank you for your consideration of our views.

Sincerely,

Alabama Forestry Association

Allegheny Hardwood Utilization Group

American Forest Foundation

American Forest Management, Inc. American Forest Resource Council Anthony Forest Products Company

Apalachee Pole Company Arkansas Forestry Association

Associated Logging Contractors of Idaho

Association of Consulting Foresters

BBC Land, LLC

Bracewell Family Partnership, LLC

Brodie Land Company, LLC **Broughton Lumber Company** Bruch & Bruch Construction Inc.

BTG Pactual Timberland Investment Group

California Forestry Association

Campbell Global

CatchMark Timber Trust, Inc. Charles Ingram Lumber Co., Inc. Claude Howard Lumber Company

Empire State Forest Products Association

David Fisher

Florida Forestry Association Forest Investment Associates

Forest Landowners Tax Council, Inc.

Forest Resources Association

Forest Landowners Association Georgia Forestry Association Giustina Land & Timber Co. Giustina Resources, LLC GMO Renewable Resources **Great Lakes Timber Professionals**

Association Green Crow Corp.

Green Diamond Resource Company

GreenWood Resources, Inc.

Griffin Lumber

Hancock Timber Resource Group

Hardwood Federation Harrigan Lumber Co., Inc. Hermann Brothers Logging

Interfor

Arthur Howard Bill Howard Claude Howard

Idaho Forest Owners Association

Ingram Mountain Family Limited Partnership

Irving Woodlands LLC J.M. Longyear, LLC Jasper Lumber Company

JLC Development

Kentucky Forest Industries Association

Langdale Company

Louisiana Forestry Association

Louisiana Pacific

Lone Rock Resources

Maine Forest Products Council

Mason Bruce & Girard, Inc.

McRae Farms

McRae Land & Timber Company

McShan Lumber Company

Merrill & Ring

Michigan Association of Timbermen Michigan Forest Products Council

Michigan-California Timber Company LP

Minnesota Forest Industries

Minnesota Timber Producers Association

Mississippi Forestry Association

Missouri Forest Products Association

Molpus Woodlands Group

Montana Wood Products Association

Morgan Lumber Company, Inc.

MWCF Corp.

National Alliance of Forest Owners

National Association of Real Estate

Investment Trusts® (NAREIT)

National Association of State Foresters

National Wooden Pallet and Container Assn

New Hampshire Timberland Owner Assn

North Carolina Forestry Association

North Florida Woodlands

Northeastern Loggers Association

Ohio Forestry Association

Oklahoma Forestry Association

Olympic Resource Management LLC

Oregon Forest Industries Council

Oregon Small Woodlands Association

Oregon Women in Timber

Pingree Associates Inc.

Plum Creek Timber Company, Inc.

Pollard Lumber Co. Inc.

Port Blakely Companies

Port of Port Angeles (WA)

Potlatch Corporation

R.D. Merrill Company

Rayonier Advanced Materials

Rayonier Inc.

Red River Forests, LLC

Resource Management Service, LLC

Rex Investments

Rex Lumber

Roseburg Forest Products

SDS Lumber Company

Shasta Forests Timberlands, LLC

Shuqualak Lumber Co., Inc.

Sierra Pacific Industries

Society of American Foresters

South Carolina Forestry Association

Southeastern Lumber Manufacturers Assn

Starker Forests, Inc.

Stevenson Land Company

Superior Pine Products Company

Stimson Lumber Company

Tennessee Forestry Association

Texas Forestry Association

The Conservation Fund

The Forestland Group LLC

The Lyme Timber Company

The Theodore Roosevelt Conservation

Partnership

The Westervelt Company

Charlie Thomas III

Timber Investment Resources, LLC

Treated Wood Council

Virginia Forest Products Association

Virginia Forestry Association

Wagner Forest Management, Ltd.

Washington Contract Loggers Association

Washington Farm Forestry Association

Washington Forest Protection Association West Fork Timber Company, LLC

West Virginia Forestry Association

Weverhaeuser Company

Wisconsin Paper Council