

February 2, 2015

The Honorable Paul Ryan
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
1106 Longworth House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Ryan and Ranking Member Levin:

As representatives of a broad and diverse group of forest landowners, forest products manufacturers, and conservation and recreation partners, we write to express our best wishes as you develop tax policy and legislation in the 114th Congress.

As the House Ways and Means Committee 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, including the 22 million family forest owners across the country, wood products and paper manufacturing, fish and wildlife, and outdoor recreation. The timber provisions in the code benefit the economy by creating jobs, biomass energy, equity and financial returns for private landowners and investors, and provide public benefits from privately-owned working forests, by helping to address the significant threat of conversion of private working forests.

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 business 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 timberland Real Estate Investment Trusts (REITs); and
- Deduct up to \$10,000 of reforestation costs per stand, with the remainder amortized over 7 years. (Section 194).

We support current law which includes capital gains treatment of timber revenue, deductions for management and reforestation expenses and the ability of timberland REITs to provide timber investment opportunities. The current timber provisions support 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. Unlike inventory, forests are mostly uninsurable, requiring forest owners to bear for long periods the significant risk of destruction by fire, pests, disease and other natural disturbances.

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 producing oxygen, and maintaining lands for a range of outdoor recreation such as hunting, fishing, and snowmobiling.

Private 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 the 1940's, 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. We look forward to working with you and the Committee in the 114th Congress.

Sincerely,

Alabama Forestry Association
Allegheny Hardwood Utilization Group, Inc.
American Forest Foundation
American Wood Council
Anthony Forest Products Company
Apalachee Pole Company
Appalachian Hardwood Manufacturers Inc.
Arkansas Forestry Association
BBC LAND LLC
Brodie Land Company, LLC
Broughton Lumber Company
Bruch & Bruch Construction Inc.
California Forestry Association
Campbell Global
Catch-A-Dream Foundation
CatchMark Timber Trust, Inc.
Charles Ingram Lumber Co., Inc.
Claude Howard Lumber Company
Congressional Sportsman's Foundation
Deltic Timber Corporation
Elliott Sawmilling Co.
Empire States Forest Products Association
Florida Forestry Association
Forest Investment Associates

Forest Landowners Association
Forest Landowners Tax Council
Forest Resources Association
Georgia Forestry Association
Gilman Building Products
Giustina Land & Timber Co.
Giustina Resources, LLC
GMO Renewable Resources
Great Lakes Timber Professionals
Green Diamond Resource Company
Griffin Lumber
Hancock Timber Resource Group
Hardwood Federation
Hardwood Manufacturers Association
Hardwood Plywood Veneer Association
Harrigan Lumber Co., Inc.
Arthur Howard
Bill Howard
Charlie Thomas III
Claude Howard
Idaho Forest Group
Idaho Forest Owners Association
Indiana Hardwood Lumbermen's Assn
Ingram Mountain Family Limited Partnership

Interfor
Irving Woodlands LLC
J.M. Longyear, LLC
Kentucky Forest Industries Association
Keweenaw Land Association, Limited
Langdale Company
Lone Rock Resources
Louisiana Forestry Association
Louisiana Pacific
Maine Forest Products Council
Massachusetts Forest Alliance
McRae Farms
McRae Land & Timber Company
McShan Lumber Co.
Melrose Timber Co.
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.
National Alliance of Forest Owners
National Association of Real Estate
Investment Trusts®
National Association of State Foresters
National Hardwood Lumber Association
National Lumber & Building Material
Dealers Association
National Wild Turkey Federation
National Wood Flooring Association
National Wooden Pallet and Container Assn
New Hampshire Timberland Owners Assn
North Carolina Forestry Association
North Florida Woodlands
North Olympic Timber Action Committee
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
Penn-York Lumbermen's Association
Pingree Associates Inc.
Plum Creek Timber Company
Pollard Lumber Co. Inc.
Port Blakely Companies
Port of Port Angeles
Potlatch Corporation
Quality Deer Management Association
R.D. Merrill Company
Rayonier
Rayonier Advanced Materials
Red River Forests, LLC
Resource Management Service, LLC
Rex Investments
Rex Lumber North Florida Woodlands
Roseburg Forest Products
Ruffed Grouse Society
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
Stimson Lumber
Superior Pine Products Company
Tennessee Forestry Association
Texas Forestry Association
The Conservation Fund
The Forestland Group
The Lyme Timber Company
The Mississippi River Trust
The Westervelt Company
Timberland Investment Resources, LLC
Treated Wood Council
Varn Wood Products, LLC
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
Western Hardwood Association
Weyerhaeuser Company
Wildlife Mississippi
Wisconsin Alliance of Forest Owners
Wisconsin Paper Council
Wood Components Manufacturers Assn