

NWOA Position Statement:

Tax Policy

**Adopted 2015 by the Board of Directors,
National Woodland Owners Association on the second reading.**

The National Woodland Owners Association (NWOA) feels strongly that private woodland owners have earned preferential income, estate and property tax treatment. The general public at large does not realize the huge economic and environmental contribution that privately owned woodlands, free of charge, contribute to our quality of life, environmental sustainability and positive economic impacts that managed private forests make to local, state, regional and national economies and ecosystems.

Privately owned forests and family forest businesses are an economic and environmental driver. Managed private forests produce clean water, clean air, their forests capture and store carbon dioxide, provide habitat for game, non-game and threatened and endangered species (both wildlife and botanical diversity), restore and maintain wetlands and the many benefits that wetlands provide. Economically, private forests are engines of economic and tax base development supporting the diverse employment of foresters, engineers, forest-based industries and their employees, loggers, residential and commercial builders who use forest products, local businesses servicing the forest products producers and industry, and the extremely large numbers of the public who enjoy outdoor recreational opportunities and spend large amounts to pursue outdoor based recreation, much of which is owed to and spent on privately owned forest acres.

General NWOA Tax Policy

NWOA strongly supports tax policies that promote forestland retention, improved forest management for economic and environmental/conservation purposes and higher after-tax income. Specific tax policies that NWOA believes are of highest priority are listed under income, estate and property tax discussion below. Other policies exist, but those below are key policies that need to be retained in any tax code revision.

Income Taxes

- Currently, preferential (lower tax rate) long-term capital gains treatment of net timber sale income is available to qualify sales by both investors and family businesses.
- The first \$10,000 of qualified reforestation expenses (per year on a property by property basis) can be immediately deducted as adjustments to income; in addition, amounts over \$10,000 per year can be amortized over the 84 months following reforestation, again as adjustments to income.
- Landowners can elect to exclude qualified cost-share payments from taxable income (Code Section 126). NWOA strongly supports these and other preferential income tax provisions.

Estate Taxes

- Beginning 2018, every individual has a \$11.2 million lifetime exclusion (\$22.4 million for married couples); no estate and/or gift taxes (for gifts made during lifetime) are due on amounts up to the lifetime exclusion amounts. The lifetime exclusion under current policy is adjusted through an inflation adjustment annually.

Tax Policy Position continued next page

- Under current policy, the tax basis in capital assets, including standing timber, is stepped-up to fair market value (usually at date of death); heirs benefit by this provision since the stepped-up basis (plus or minus any adjustments) is not taxed when heirs subsequently sell the inherited timber, saving significant amounts of income tax. Basis must be documented, preferably at time of estate valuation, but definitely prior to selling and harvesting the timber. For casualty loss or business loss, the tax recovery is limited to fair market value or basis, whichever is less. NWOA strongly supports continued inflation adjustment of the lifetime exclusion and basis step-up. In the event that estate taxes are eliminated, retention of step-up is critical for future generations of forest owners.

Property Taxes

NWOA recognizes that property taxes are a state and/or local issue and applauds efforts by some state and local governments who provide property tax relief for managed private forests under myriad policies across the United States. NWOA supports all of these policies, but puts highest priority on policies that value managed forest land in its current-use for long-term timber production, rather than taxing forest land for highest and best use (i. e. market value as residential, commercial development); taxing at market value is a proven disincentive to forest land retention and improved forest management and productivity.