Tax policy can greatly impact family woodland owners and their ability to care for their forests and pass them on to future generations. Just like many other businesses, family woodland owners have regular, ongoing expenses for caring for their land. However, most families only earn income from their land once a generation, due to the long timeframe for growing forests. On top of this, family woodland owners face incredible risks – from wildfires to hurricanes to icestorms – all can wipe out a family’s asset in an instant.

As Congress seeks to reform the tax code, we ask for support for the following key priorities that ensure family woodland owners have simple, fair tax policy that supports the unique business we steward.

**Maintain deductions for regular forest management expenses**
- Forest owners must regularly maintain roads, culverts, fire breaks, and repeatedly thin their forests and control invasive species—business costs that yield little, if any, income.
- Ensuring these remain deductible as ordinary business expenses for forest owners who operate their woodlands as a business encourages active forest management.

**Maintain deductions for and amortization of reforestation expenses**
- Much like forest management expenses, the reforestation deduction assists landowners in quickly replanting their woods after harvest.
- Due to the unique nature of forestry, landowners should continue to be able to deduct these costs in the year incurred and amortize the remainder.

**Maintain the capital gains treatment of harvested timber**
- Currently, upon harvest, timber is taxed like other long-term investments at the capital gains rate. Since timber takes decades to grow, this treatment ensures Tree Farmers are able to make the long-term investment in their forest.

**Clarification that family woodlands are businesses**
- The IRS specifically disallows the claiming of hobby losses as business expenses. To determine the nature of the losses, the IRS considers whether the business has made a profit for three of the past five years—a condition impossible for many Tree Farms to meet. Congress can clarify that landowners who participate in at least 500 hours of work on their land each year qualify as operating a business.

**Reduce the estate tax burden**
- Congress should eliminate the burden of the estate tax to encourage families to pass their Tree Farms on to the next generation and avoid prematurely harvesting timber to pay the tax.

**Maintain stepped-up basis, even with estate tax repeal**
- Tree Farmers who inherit land currently receive a “stepped-up basis” that values the land and the timber at current market value. Congress should maintain this provision in the tax code, which eliminates an incentive to harvest timber based on an artificial taxation timetable and ensure healthy forestland management.

**Allow forest owners to deduct true losses from disasters like wildfires and hurricanes**
- Currently, when family woodlands are hit by a natural disaster, causing damage or complete loss of the trees on the property, the owner is allowed to deduct the loss or the basis, whichever is less.
- The basis is typically the “cost” to the landowner, which if a landowner bought or inherited land with a low value of timber, the basis does not normally reflect the value in the growth of the timber over time, even though the owner will have cared for that timber, sometimes for decades.
- The consequence of this policy is that most woodland owners – we estimate about 60 percent – are not able to deduct their timber losses from natural disasters.
- Congress should allow family woodland owners, who are actively managing, to deduct these losses if they implement a restoration plan for their forest.

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