May 11, 2020

The Honorable Nancy Pelosi  The Honorable Kevin McCarthy
Speaker Minority Leader
U.S. House of Representatives U.S. House of Representatives

The Honorable Mitch McConnell  The Honorable Chuck Schumer
Majority Leader Minority Leader
U.S. Senate U.S. Senate

Dear Speaker Pelosi, Leader McCarthy, Leader McConnell, and Leader Schumer:

While the COVID-19 pandemic has affected our entire country, we write to highlight a critical issue impacting rural forest communities that will have consequences in future emergencies. Forest communities are still recovering from record damaging natural disasters including tornados, hurricanes, ice storms and wildfires. Forest products are necessary to our domestic supply chain, and as forest communities struggle to recover from natural disasters it is becoming harder for landowners to invest in land use for growing timber. Therefore, the undersigned organizations request the inclusion of the Forest Recovery Act (FRA), H.R. 1444/S.1687, in a COVID-19 legislative response to provide economic relief to stimulate recovery.

During the COVID-19 pandemic, wood products have been instrumental in delivering crucial products; toilet paper, filters for masks, diapers, testing swaps, soaps, disinfecting wipes and medications. In addition to making these essential products, timber products are needed for pallets and packaging to move these goods. We have been and remain reliant on America’s forest landowners to grow timber for these essential products. Future loss of timber land could force supply chains to rely on imported sources of timber for these products.

FRA is not a subsidy or funds transfer program. It simply allows landowners to deduct the fair market value (FMV) of timber destroyed by natural disasters. Under section 165(b) of the Internal Revenue Code, landowners can deduct the lesser amount of the fair market value or the adjusted cost basis. The adjusted cost basis amortizes to zero after 7-years. When combined with the 25 to 40-year growth cycle for trees to reach full market maturity, current law provides no means to recover the value of the destroyed timber. Forest landowners must pay expenses, including annual taxes, without crop income during this entire growth cycle. The FMV tax deduction is vital because timber growers do not have access to crop insurance and private insurance is often too expensive and provides inconsistent coverage.

Forest landowners provide vital economic benefits to rural communities. In many rural communities, timber is the economy. Nationally, timber products generate 2.5 million jobs, $109 billion in payroll, and $288 billion in sales and manufacturing. The inclusion of FRA in a relief bill would provide landowners economic certainty, encourage reforestation, and help rural communities maintain their economic base.

Amending the tax code to give landowners economic relief when a natural disaster destroys timber crops will have a significant impact on stimulating rural economies and ensuring a robust supply of timber in the future. As you consider COVID-19 response measures to support the American economy and communities, we urge you to include H.R. 1444/S. 1687, the Forest Recovery Act.

Signed,