

July 19, 2010

Senator Blanche Lincoln
United States Senate
Washington, D.C. 20510

Senator Jon Kyl
United States Senate
Washington, DC 20510

RE: The Forestry community encourages your perseverance in reform of the estate tax

Dear Senators Lincoln and Kyl:

“When a society wants less of something they tax it: The estate tax is a tax on American capital... a tax on the economic mechanism that produces income. Do we truly want to reduce our means of income production in the United States?”

—Vernon Smith, Nobel Laureate, “U.S. Treasury Roundtable on the Estate Tax” 2003

On behalf of the millions who are the American forestry community, the undersigned strongly encourage you to persevere in your efforts to reform the estate tax with criteria at a tax rate not to exceed 35 percent and at an exemption indexed to inflation not below \$5 million on individuals. We know that you both have spent a great deal of time already on this issue and we want you to understand that the forestry community appreciates your good work.

America's non-industrial private forest owners—who own about 60 percent of America's forestland—are bearing more responsibility than ever before for the nation's environmental quality and sustainable timber production. Today, manufacturers of wood products are more regulated than at any other time in our history, and those who transport wood are financially confined not only by increasing regulation but also now by rising fuel prices. The possibility of untimely timber harvests and disruption of established forest management programs, of mill closings, and/or transport operator reductions due to federal death tax policy is becoming increasingly pervasive as timber values decline and land values rise, as mill closures mount, and as loggers' numbers dwindle in alarming numbers. This trend is counterproductive to society's goals of sustainable forestry and environmental quality. Succinctly put, our position on the death tax is that it should be immediately and permanently eliminated. However, under the current set of political circumstances, we see your proposal as a significant interim step in bringing some measure of control to this onerous tax situation.

The estate tax provides a disincentive for heirs to retain their family forest businesses or to continue to sustainably manage their forests even if not sold. Our forestlands provide 49 percent of the nation's timber supply and 53 percent of outdoor recreational opportunities. But, U.S. Forest Service research indicates that. “...2 million acres of forestland must be harvested and over 1 million acres must be sold each year to pay the federal estate tax. Of the acres that are sold, it appears that several hundred thousand each year are converted to other, more developed, uses...”¹ Family-owned logging and milling operations suffer, much like family-run farms, because the revenue needed to pay the estate tax oftentimes requires the heirs to sell off assets and equipment that is needed to keep those operations running.

We ask that you continue to act with the diligence and initiative that you have already demonstrated toward making your death tax proposal the law of the land, as the current criteria sunsets at year end. In any event, you will continue to enjoy the appreciation and admiration of the forestry community for your hard work and foresight in keeping America's capital—the “mechanism that produces income”—fine tuned and running full speed ahead.

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¹ September 19, 2000, A conference entitled “Forest Fragmentation 2000: Sustaining Private Forests in the 21st Century” held in Annapolis, Maryland. Presentation by John Greene. Law and Economics Research, USDA Forest Service,

Sincerely,

Alabama Forestry Association

American Forest Foundation

American Forest & Paper Association

American Forest Resource Council

American Loggers Council

Arkansas Forestry Association

Arkansas Timber Producers Association

Association of Consulting Foresters

Associated Oregon Loggers Inc.

Empire State Forest Products Association

Florida Forestry Association

Forest Landowners Association

Forest Landowners of California

Forest Landowners Tax Council

Forest Resource Association

Georgia Forestry Association

Hardwood Federation

Indiana Forestry & Woodland Owners
Association

Japer-Newton Counties Forest Landowners
Association

Kentucky Forest Industries Association

Kentucky Woodland Owners Association

Louisiana Forestry Association

National Alliance of Forest Owners

National Association of Forest Service Retirees

National Association of State Foresters

National Hardwood Lumber Association

National Woodland Owners Association

New Jersey Forestry Association

North Carolina Forestry Association

North Carolina Woodlands

Northern Arizona Loggers Association

Massachusetts Forest Landowners Association

Mississippi Forestry Association

Montana Wood Products Association

Montana Logging Association

Missouri Forest Products Association

Ohio Forestry Association

Oregon Small Woodlands Association

Rhode Island Forest Conservators Organization

Society of American Foresters

South Carolina Forestry Association

Southeastern Lumber Manufacturers Association

Southeast Texas Forest Landowners Association

Southern Appalachian Multiple-Use Council

Southern Loggers Cooperative

Tennessee Forestry Association

Texas Forestry Association

Texas Forest Landowners Council

Virginia Forestry Association

Virginia Forest Products Association

Washington Farm Forestry Association

West Virginia Tree Farm Committee

Woodland Owners Association of West Virginia