



To sustain the forests, you must sustain the forest landowner.

Disaster Reforestation Act: Fix the Casualty Loss of Timber IRS Rule

- The Disaster Reforestation Act (DRA) provides immediate relief to forest landowners.
- The DRA provides tax relief to landowners so they can stay economically viable and keep their land in forests.

AT ISSUE

The current tax code has an unintended consequence of penalizing forest landowners whose timber stands are destroyed from a natural disaster. Under current law, the landowner **is only allowed to deduct the lesser amount** of the value, the cost basis or the adjusted timber basis, which is usually \$0 after the 84-month amortization period or only a fraction of the value of the destroyed timber.

The Disaster Reforestation Act would amend the tax code to allow forest owners to deduct the value of their timber prior to the loss caused by a natural disaster.

- Forest landowners receive **NO** guaranteed federal funding from disaster relief funding **NOR** are they provided tax relief from loss of their timber crop based on current tax code.
- Most other crop producers impacted by natural disasters have an annual income from their crop. Landowners growing timber for market must wait 25 to 40 years before their crop is ready to sell to the market.
- During this time period, the landowners must pay expenses and taxes annually without crop income while they wait for their timber to mature to market, usually 30 years for softwood and 40 plus years for hardwoods.

WHAT THE LEGISLATION DOES

This bill modifies the tax deduction for casualty losses of uncut timber.

In the case of the loss of uncut timber from fire, storm, other casualty, or theft, the basis used for determining the amount of the deduction may not be less than the excess of (1) the value of the uncut timber determined immediately before the loss was sustained, over (2) the salvage value of the timber.

The rule applies only if (1) the timber was held for the purpose of being cut and sold, and (2) the uncut timber subject to the loss is reforested within five years of the loss.

The Disaster Reforestation Act is not a subsidy or transfer of funds program. It simply allows landowners to deduct the value of timber destroyed due to natural disasters. This fix would provide permanent assurances to landowners when their timber crops are destroyed by a natural disaster.