The Forest Recovery Act (FRA), S. 1687 /H.R. 1444 provides immediate relief to landowners so they can stay economically viable and keep their land in forests.

The casualty loss fix will give landowners economic certainty that their long-term investment will not result in a total financial loss should their timber be destroyed by a natural disaster.

Timber is the only agricultural crop that provides environmental benefits. If landowners can’t afford or are not provided tax compensation when their timber is destroyed, they will seek other crops or land uses instead of forests.

**FIX THE CASUALTY LOSS RULE**

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 fair market 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 fair market value of the destroyed timber.

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

Historically, forest landowners receive **NO** guaranteed federal funding from disaster relief aid **NOR** are they provided tax relief from loss of their timber crop based on current tax code.

Most crop producers impacted by natural disasters have an annual income from their crop and crop insurance.

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 pays expenses and taxes annually without crop income while they wait for their timber to mature to market.

A FORECAST OF DISASTERS COULD LEAD TO SLOW ECONOMIC RECOVERY IN RURAL COMMUNITIES

**DON’T LEAVE TIMBER COMMUNITIES WITH A ONE-TWO ECONOMIC PUNCH**

Rural timber communities are suffering already from the economic impacts of COVID-19, while also enduring a record season of devastation from hurricanes, tornadoes and unprecedent fires. As COVID-19 and the shutdown of the American economy has created an uncertain future for the economic viability of rural communities. The casualty loss fix will give landowners economic certainty that their long-term investment will not result in a total financial loss should their timber be destroyed by a natural disaster. In turn this economic certainty will ensure degraded forest lands are quickly reforested, instantly creating short and long-term rural jobs, as well as ensuring land stays in forest use. In addition to supporting rural jobs, FRA ensures a long-term robust timber market in the United States, safeguarding our domestic supply of timber, fueling our nation’s supply chains for essential everyday products made from wood and fiber.

- **Ensuring abundant timber supply is in the national interest**
- **Forest landowners invest in the business of growing our domestic wood supply**, knowing that they will not see a return on that investment for 30+ years.
- **America’s forest landowners are already suffering under economic pressures**, including historically low prices for their timber, natural disasters with a tax code that does not account for the loss of timber and the impacts of COVID-19.

See how forests impact your state in terms of private forest acres, jobs, taxes and more, [click here](#).
Example of forest landowner’s timber loss from a natural disaster

<table>
<thead>
<tr>
<th>400 Acres</th>
<th>Basis Cost/Sec. 194 tax deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMV before hurricane: 65% mature sawtimber ready for harvest</td>
<td>$803,496</td>
</tr>
<tr>
<td>Post storm FMV</td>
<td>$214,752</td>
</tr>
<tr>
<td>Financial loss of FMV for timber tract</td>
<td>$588,744</td>
</tr>
<tr>
<td>Amount paid for salvaged down timber</td>
<td>$79,000</td>
</tr>
<tr>
<td>FMV loss after income from salvaged timber</td>
<td>$509,744</td>
</tr>
<tr>
<td>Allowable tax-deduction</td>
<td>$70,000</td>
</tr>
</tbody>
</table>

In this scenario the forest landowner had a fair market value loss of timber of $588,744. He received $79,000 for the salvaged timber, and therefore should be allowed to write off his loss of $509,744. However, current tax code states that the lesser amount between cost basis and the fair market value is what is deductible. Therefore, the landowner has not received income from his “crop” during the past 25-30 years, has now lost his “crop” due to a natural disaster and is not allowed to deduct the fair market value of this loss on his income taxes.

Forest Recovery Act Summary

This bill modifies the tax deduction for casualty losses to establish special rules for 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 fair market 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 bill also exempts casualty losses from uncut timber from the rule restricting the deduction for personal casualty losses to losses attributable to a federally declared disaster.

House Cosponsors of H.R. 1444, Forest Recovery Act

Senate Cosponsors of S.1687, Forest Recovery Act

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