

Forest Industries Committee On Timber Valuation and Taxation
1619 Massachusetts Ave., N.W., Washington 6, D.C.

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TAX PROPOSAL ON TIMBER
VIEWED AS 'CALAMITOUS'

WASHINGTON, D.C.-- A forest tax expert warned today (Thursday) that a change in capital gains tax treatment on timber sales as proposed by the Administration would be a "calamitous blow" to American forestry leading to a return of "cut out and get out" practices which scourged the nation's forests prior to passage of the present law in 1944.

G. Kenneth Crowell, executive vice president of Kimberly-Clark Corporation, Neenah, Wis., in testimony filed with the House Ways and Means Committee at a public hearing, said proposed changes in Section 631 (a) and (b) of the Internal Revenue Code would destroy incentives now stimulating reforestation and forest management.

Since passage of the existing law, the nation has overcome a timber deficit and is now growing timber faster than it is being harvested and lost to fire, insects and diseases.

"The passage of these proposals would be a calamitous blow to the timber industry, to all allied manufacturing and distributing businesses, to reforestation and forest management, and to the jobs of countless thousands of employees dependent upon the timber industry," said Crowell.

Crowell's testimony represented views of the Forest Industries Committee on Timber Valuation and Taxation, which represents all classes of privately owned forest land in the United States, including farmers, foresters, naval stores operators, forestry associations and wood-using companies.

First add

The forest industry objections to the tax changes already are supported by resolutions of American Forestry Association, the Society of American Foresters, the Association of State Foresters, and by the legislatures of several states, among them Arkansas, Georgia, South Carolina, Maine and Idaho.

Crowell said the capital gains tax treatment now accorded timber sales was passed in 1944 as, to quote the late Senator Alben Barkley, "an act of justice to those who grow timber over a period of a generation, or half a century, or longer, and who are entitled to just treatment no matter in what manner they dispose of their timber."

Prior to 1944, said Crowell, "landowners had little incentive to plant or seed new trees. . .and no incentive whatever to defer the cutting of their mature timber for a period long enough to permit the growth of a second harvest."

Crowell said the U.S. Forest Service recognized the value of capital gain tax treatment when it reported in "Timber Resources For America's Future": "Capital gains provisions. . .of the Internal Revenue Code have made timber growing more attractive and have provided an important incentive for more aggressive forestry programs."

The Lake States executive said the economy of hundreds of communities would be depressed and the consequent return to "cut out and get out" practices might very well threaten many communities with total ruin.

A graphic picture of what these proposals mean in terms of the individual is readily apparent in the case of the tree farmer filing a joint return whose only income is from timber. If he has \$5,000 or less income, he will, of course, not experience any increase in tax under the Administration's proposals. However, if he has \$6,000 income, his tax would be increased by over 40 percent.

Second add

Crowell said the Treasury Department stresses the importance of continuing the present law as a stimulus to good forestry practices in the case of the very small landowners only, notwithstanding they have responded least to the stimulus provided by the law. To change the law as proposed would mean discrimination against timber owners, discrimination between certain classes of timber owners, and discrimination against corporations, he said.

"Enactment of the Administration's proposals would be a breach of faith with those who have embarked on forest land management programs in response to the establishment of capital gain tax treatment held out to forest owners," said Crowell. "And far more important, it would represent a breach of faith with future generations who will have increasing needs for timber and water resources."