



FOR IMMEDIATE RELEASE

May 2, 2003

CONTACT:

Frank Stewart
703-549-0747

Sessions Introduces Landowners' Bill

WASHINGTON - U.S. Sen. Jeff Sessions (R-AL) has introduced legislation that would reduce risk for non-industrial, forest landowners during harvests and allows more of them to be eligible for capital gains tax rates. Of the bill, titled the Timber Tax Simplification Act of 2003 (S. 968), Sessions said, "Modern timber harvesting techniques have been good for the environment, but the tax code hasn't kept up with the changes. This modest change in the law will lift excessive risks for forest owners without paying unnecessarily high tax rates on their harvest."

Under current law, private non-industrial landowners who are occasional sellers of timber are often classified by the Internal Revenue Service as "dealers," which ensures they must comply with the rules of Internal Revenue Code Section 631(b) in order to obtain capital gains treatment.

Section 631(b) requires these sellers to "retain an economic interest" in their timber until it is harvested. This means the sellers must make the sale under the terms of a contract that ensures that the seller bears all the risk. Additionally, "retaining an economic interest" means the seller is only paid for timber that is harvested, regardless of whether the terms of the contract are violated. The burden is disproportionately placed upon the seller and this arrangement may encourage fraud, abuse, and waste of valuable timber resources by the timber buyer.

The Timber Tax Simplification Act of 2003 will provide greater consistency by removing the exclusive nature of the "retained economic interest" requirement in IRC Section 631(b). This change has been supported or suggested by a number of groups for tax simplification purposes, including the Internal Revenue Service and the Land Trust Alliance.

According to an analysis of the Congressional Joint Committee on Taxation (JCT), this modification would result in a negligible change in revenue, and they have added it to their massive Tax Simplification List.

###

The Forest Landowners Tax Council (FLTC) is an independent, national non-profit organization dedicated to providing an effective and unified voice for non-industrial, private forest (NIPF) landowners on federal tax issues. The Council seeks to provide technical research to identify opportunities for timber tax improvements. FLTC is also a source of education for those who wish to learn more about timber taxation. Membership is open nationwide to most individuals, associations, or organizations interested in supporting the mission of the FLTC.