



W. Henson Moore

Forests, Anti-Sprawl and Taxation

W. Henson Moore, President and CEO, American Forest & Paper Association

America's cities continue to grow outward, straining infrastructure, tax bases, property values, and most of all, the natural environment. Dubbed "sprawl," the trend of growing sub- and ex-urbs is not new, but neither is it going away. A majority of Americans list it as one of their top quality of life concerns.

No matter where you are right now, chances are, there is more development around you than there was 20 years ago. By whatever name you call it: "urban expansion," "urban growth," "growth," or "sprawl," this expansion of our cities and suburbs presents leaders of today with real challenges.

As populations continue to swell, pressure to develop land to meet the needs of these people will also swell. Every day farm and forest land is bulldozed to make way for housing, schools, shopping centers, roads, prisons, airports or any other non-agrarian use. The pace of change is quickening.

A comprehensive land use study released in 2000 by the U.S. Department of Agriculture's Natural Resources Conservation Service reported forested acres actually increased by almost less than one percent nationwide for the period 1982 to 1997. The same report showed the amount of developed land had increased by a whopping 34 percent nationwide during the same time period. Put in hard numbers, during those 15 years, we gained 3.6 million acres of new forestland but we also gained 25 million acres of new development. A sobering trend indeed.

How do we slow the loss of undeveloped land without infringing on the personal property rights held so dear to so many of us? There is no simple solution to a complex problem like sprawl. There are many moving parts to this puzzle, so which ones should be dealt with? Is the

issue best handled through transportation policies? Zoning restrictions? Redevelopment plans? By other means? By all of these means?

Deciding how to deal with the issue is only the beginning; the problem can be attacked from different angles. I believe that offering citizens incentives to slow or reverse the effects of sprawl will be more successful than trying to force them to do it.

Identifying the Cause

Too often our society attempts to fix something before gaining a full understanding of why it is broken. Before setting off on a complex solution to the sprawl issue, it may be helpful to boil it down to its most basic level.

There are two kinds of land: developed land and undeveloped land. Everything currently developed was at one time undeveloped—and for many parts of North America, that probably means it was forested. At some point, the owners of the land—whether they were private individuals, trusts, corporations, municipalities or government entities—decided the land better served their purposes by being developed. It seems to be a simple matter of supply and demand. If the market demands developed land, someone will supply it.

Influencing the Marketplace

So now the question of how to slow the rate of sprawl has become one of influencing the land use markets. Most of the land in this country—including forestland—is privately owned. I take it as a basic truism that private land will be put to the use which most benefits the landown-

er. That's a cornerstone of the American democratic system and of capitalism, too. We need to make it worthwhile for forestland owners to keep their forests and not sell their land to developers. This holds especially true for the nine million private, non-industrial forestland owners who own 58 percent of the nation's forests. The quickest way to do this is to support a strong, stable timber market, providing an economic incentive for landowners to grow trees and keep growing trees.

In a guest editorial for *The New York Times* in March of 2001, former President Jimmy Carter, a Georgia tree farmer, wrote "[w]ithout a dependable timber market...many landowners cannot afford to invest in reforestation and forest maintenance, and the consequences will be land that is barren or converted to other uses.. The cost to society is great..".

Money Doesn't Grow on Trees, But Taxes Do

A recent Pricewaterhouse Coopers study of corporate tax rates on the forest products industry concluded that the United States has the second highest tax rate in the world for the industry. Similar disparities exist at the state and local levels for tree farmers. These policies serve as a disincentive to forestland owners and, if not rectified, could lead to more sprawl and less forests.

Many states do not assess property taxes for tree farmers on current use, but rather market value. Tree farmers, unlike row crop farmers, must wait years and often decades before realizing profits from their crops, yet they are taxed as if they receive income from the property every

year. This policy taxes undeveloped land right into the hands of developers.

The exceptionally long crop rotation of trees should also be considered when establishing amortization of business expenses schedules. In most states, many reforestation expenses are not eligible for consideration as business expenses until the trees are harvested. This means landowners must carry those expenses for an unusually and unfairly long period of time without relief, unlike row crop farmers who write off these expenses annually. A major part of being a forestland owner—and one of the most expensive—is reforestation. To offset these costs and encourage reforestation, some states have experimented with special incentives. In 1999, Texas passed landmark legislation providing meaningful reforestation tax credits. That is, the property tax bill of tree farmers was reduced by 50 percent if harvested land was reforested within one year. This innovative tax policy not only provides incentive for landowners to replant trees on their land, ensuring forested acres stay forested, it also provides an incentive for the landowner to do it quickly, thus further minimizing the environmental and aesthetic impacts of a harvesting operation.

Conservation easements are another tax incentive that has been successful around the country. These are long term agreements landowners willingly enter into with local, state, regional or federal conservation authorities that which state the landowner will not develop a particular parcel of land in exchange for preferential tax status for the duration of the agreement. This innovative approach to the sprawl issue worked wonders in the Lake States, where many rivers and streams had been threatened by over development.

Helping Private Forestland Owners

Those are four ways long-term forest sustainability can be promoted through positive tax policy—taken together they could have real impact on growth. But the goal should not be just more forests. We should promote healthy, sustainable and productive forests.

There are many private forest stewardship programs that serve this purpose by educating and assisting landowners, training loggers and leveraging environmentally friendly products in the marketplace. Two are the American Tree Farm System® and the Sustainable Forestry Initiative® (SFI) program. Both programs

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complement federal and state laws and regulations to ensure healthy and sustainably managed forests will never be in short supply. At their cores they stress education and outreach for both landowners and loggers. Both programs also encompass and often surpass existing forestry best management practices (BMPs).

Conclusion

This country boasts some of the most productive, ecologically diverse and economically valuable forestland in the world. Steps need to be taken to make certain our grandchildren and their grandchildren can continue to make this claim.

To ensure the long-term sustainability

of our forests, there must be cooperation between all entities responsible for management or ownership of forestland. States should strengthen relationships with existing forest management programs such as Tree Farm or SFI, both of which have long-term sustainability as their overarching goals. Sixteen state legislatures have adopted formal resolutions endorsing the SFI program. Additional resources should be committed to states' forestry agencies to further their landowner assistance programs.

States also need to encourage landowners to grow forests through economic incentives—or at the very least by not providing disincentives to growing trees. The tax policies discussed above can go a long way to providing those incentives. In fact, the recently completed US Forest Service's Southern Forest Resource Assessment concluded that incentive programs, reforestation cost sharing programs and favorable tax treatment for forestland owners have a long and successful history, with the strong likelihood they directly increase forest area and change forest conditions for the better.

There is no doubt sprawl is a real problem and a real concern for everyone, but the solutions laid out here are also real and will have real impacts on the ground. A productive dialogue will ultimately result in policies that make growing forests an attractive and economically viable alternative for landowners faced with the option of selling their land to the first developer who makes an offer.

Bio

W. Henson Moore is president and chief executive officer of the American Forest & Paper Association (AF&PA). Prior to serving in the first Bush Administration, he served six terms in the U.S. Congress where he sat on the House Ways and Means Committee. AF&PA, 1111 19th Street, NW, Suite 800, Washington, DC 20036. (202) 463-2700. www.afandpa.org.