

The Timberland REIT Coalition Seeks Your Support in Preserving:



[STATE] FOREST FACTS

- The forest products industry supports **more than [number] jobs** and contributes **[\$] each year** to the state's economy, according to the [insert cite].
- [Insert additional state-specific economic/jobs data – e.g. More than **800 logging and trucking firms** and **1,300 manufacturers** in Michigan rely on the state's commercial timberlands.]

Along with an overwhelming number of policymakers, we agree it is time to thin out our overgrown tax code and restore robust growth to the U.S. economy. However, much like prudent forest management, thinning of the tax code should be achieved strategically—preserving provisions that spur healthy growth, while eliminating or modifying provisions that no longer make sense or inhibit progress.

The timber tax provisions—including the recognition of timberland as qualifying property for real estate investment trust (REIT) status—are essential to keep private and public capital investing in timber for the long-term benefit of our society. These provisions recognize the unique nature of timber investment and stewardship—a capital intensive, long-term undertaking that sustains a critical building block of our national economy, hundreds of local economies, our environment and countless recreational opportunities.

Without the timberland REIT structure and related timber tax provisions, timberland would likely be converted to other land uses or migrate to other single-tax forms of ownership, but will not revert to C corporation ownership. The significant capital expenses required for forest management and the 20-to-80 year growth cycle for marketable timber do not comport with a double-taxed C corporation structure. This is why virtually all integrated forest product companies have shed most, if not all, of their timberland holdings over the past 30 years.

Repealing the timber tax provisions and terminating the timberland REIT structure will not raise corporate tax revenue, but will instead damage our vital timber industry and the many benefits it provides.

Your Support for Timberland REITs Means Support For:

- **Timberland investment opportunities that bolster personal savings and give ordinary investors their only chance to realize the benefits of forest ownership.**

Timberland Real Estate Investment Trusts (REITs) provide the only investment vehicle for ordinary investors to invest in commercial, diversified and professionally managed timberlands. Congress created REITs in 1960 to enable investors from all walks of life to own professionally managed, income-producing real estate through companies modeled after mutual funds. The evolution of timberland REITs, which first formed 15 years ago, is one of the ways the market is working to achieve Congress's original vision.

In 1988, the Internal Revenue Service formally recognized timberlands and income from the sale of standing timber as qualifying real property eligible for REIT status.¹ Prior to the creation of the first publicly traded timberland REITs, access to the equity investment returns of income-producing timberlands as a core portfolio asset was available only to institutions and wealthy individuals having the financial capacity to directly invest in commercial timberland.

Not only do timberland REITs allow ordinary investors to diversify their portfolio, they also provide access to a significant long-term dividend yield. This access to strong income growth is partly due to the fact that the underlying asset, timber, is a renewable resource that when held for the long term historically has appreciated faster than inflation. During the recent Great Recession, timber investments, including timberland REITs, continued to perform well and pay taxable cash dividends.

Middle-class Americans make up the vast majority of timberland REIT investors through mutual funds and other easily accessible savings and investment vehicles. Institutional investors, who invest on behalf of the majority of U.S. employer-sponsored retirement plans, own an average of 82 percent of the four largest timberland REITs' holdings. The five largest institutional investors for each of these four companies are well-known for offering investment management services to ERISA plan sponsors, including the Vanguard Group, State Street Corp., BlackRock and T. Rowe Price. These are funds invested on behalf of American workers saving for retirement.

In addition, approximately 90 public pension funds hold investments in the four largest timber REITs, including the California Public Employees Retirement System (CalPERS), the New York State Common Retirement Fund and the New York State Teachers Retirement System.

- **Recreational opportunities on millions of acres of scenic land across the United States.**

The American public can—and does—access millions of acres of timberland REIT property and other private commercial timberland for recreational uses, either by permit or lease, and, in many cases, at no cost. Millions of acres of privately owned timberlands are prized grounds for hunting, fishing, camping, bird watching, horseback riding, hiking, photography, and many other cherished American pastimes in the Great Outdoors. These lands significantly supplement state and federal recreational lands and open spaces, providing outdoor enthusiasts with diverse options that are sometimes closer to home and always full of adventure.

There are [insert number] timberland REIT acres providing recreational opportunities for [state's residents].

¹ See PLR 8838016.

- **Employment for millions of workers here — not overseas.**

*Timberlands provide a critical, renewable resource — and millions of jobs — here in the U.S. Privately owned timberlands directly support one million U.S. jobs and indirectly support two million more in the wood products and related domestic industries. This translates to \$223 billion in total timber sales and manufacturing shipments, according to a 2013 study analyzing 2010 economic activity.*²

Because prices drive the sale of timber in the U.S., eliminating the timber tax provisions and ending the existence of timberland REITs would result in lower productivity and higher prices for U.S. timber, impairing the ability of American wood products and paper manufacturing companies to compete against foreign producers.

Commercial timberlands in [insert state] and the industries they directly support—forestry, logging, wood products, and pulp and paper—accounted for [insert jobs and payroll data if applicable, and any other state-specific economic data.]

- **Environmentally sound and sustainable forestry practices.**

Timberland REITs are good corporate citizens of the communities in which they invest and they are good stewards of the land and the environment. Members of the Timberland REIT Coalition manage their lands in accordance with formally written management plans certified under either the Sustainable Forestry Initiative® or the Forest Stewardship Council®. These timberland owners also engage with conservation groups and others to address long-term conservation goals on a significant scale. Timberland REITs have earned state and global environmental stewardship awards, and a number of timberland REITs are included in the Dow Jones Sustainability Index®, which tracks the financial performance of the leading sustainability-driven companies worldwide.

Publicly traded timberland REITs are accountable to their shareholders and are therefore incentivized to sustainably manage the forests that investors rely on for both short and long-term returns. Sustainable management is good for investors, for clean water, for carbon sequestration, and for future generations.

- **Steady, sustainable supplies of domestic timber.**

*The domestic timber supply currently satisfies only 76 percent of today's demand for wood and paper products in the U.S.*³ Any changes to the tax code that would discourage investments in U.S. timberlands threaten to significantly reduce productivity. A reduction of timberland productivity here at home paired with growing domestic and global demand for wood and paper products will mean more foreign imports, higher prices, and, ultimately, what would effectively amount to offshoring of U.S. timber and manufacturing jobs.

² Wan, Yang. *The Economic Impact of Privately-Owned Forests in the United States*. Forest2Market, June 27, 2013.

³ U.S. Forest Service. *U.S. Forest Resource Facts and Historical Trends*.