

**Taxation Realignment Commission**  
**Bob Scott, President, SC Forestry Association**  
**July 21, 2010**

Thank you for the opportunity to comment on abuse of the timber tax valuation on behalf of the SC Forestry Association. We have considered the testimony you've received thus far, and offer three suggestions:

- 1) Minimum Acreage Requirement
- 2) Certified Management Plan
- 3) Rollback Taxes

The Forestry Association believes the **timber use valuation is, and has been, the single, greatest incentive for landowners to invest in, manage, and maintain their forests for the long term.** We denounce those who abuse the system because they threaten the integrity and stability of a system that is accomplishing what it was designed to do 35 years ago—encourage private landowners to protect and actively manage their timberlands.

The primary reason why **South Carolina has more forests today than in 1947** is our state's use value system, which enables timber owners to make long-term management decisions. There are 12.9 million acres of forest land in South Carolina; 88% owned by family forest owners; 2% corporate and 10% public. The almost 13 million acres of forestland represents the largest acreage and timber volume since records were kept in the 1940s. This fact alone is a testament to the use value tax incentive that encourages sustainable forestry, especially when compared to the confiscatory ad valorem property tax conditions that existed in the Sixties. A condition that prompted adoption of Act 208.

Here are our suggestions:

**1. Consider increasing the Minimum Acreage Requirement**

According to the latest USDA Forest Inventory Assessment (FIA) two-thirds of our state is forested, and 88% of our forest land is owned by private nonindustrial landowners. The **average timber tract size is 56 acres, so the 5-acre minimum qualification is realistic,** but SCFA would consider increasing this amount up to 10 acres if warranted. An increase could help ensure that only bona fide timber growers qualify for the timber tax valuation.

Privately owned forest lands require **no services or cost to local government.** Yet, they provide many public benefits in the form of clean air, water, wildlife habitat, recreation, open space and scenic vistas. Consider the high cost to taxpayers if local governments had to purchase property to provide these benefits in the form of green space which occurs in many urban areas of the United States.

**2. Consider requiring a Certified Management Plan**

To qualify for timber use valuation, SCFA could support a requirement that landowners submit a **forest management plan** prepared by a registered forester. All certified tree

farmers through the American Tree Farm System have a management plan that could serve as a guide for preparing a plan for the use value system. If submitting a management plan to the Department of Revenue or local tax assessor would substantially reduce loopholes in the system, that is something we could support.

### **3. Consider Extending the Rollback Period**

We could also support extending the **rollback period beyond 5 years**. Once land use changes from forestry to development, the current tax system requires taxes for the previous five years to be paid on the basis of fair market value (6%). This law has worked to encourage landowners to keep their land in forestry. However, if this needs to be extended, then we could support extending the rollback period beyond 5 years.

There is no question that abuse occurs. SCFA is prepared to work with counties, assessors, Department of Revenue, and the Commission to identify abuses and find ways to reduce or eliminate them.

Regarding a suggestion on the annual income test made to your Commission on June 29, such a test would not apply to timber because harvests occur every 10-15 years and not annually like row crops.

We question figures submitted to the Commission about the number of tree and row crop farmers in SC who qualify for use value (265,000) vs actual farmers (50,000). According to the National Woodland Owners Survey, prepared by Brett Butler of USDA, there are 87,000 individual and joint owners of timberland, ten acres or more, totaling 5,920,000 acres. When you reduce acreage ownership from five to ten, the figure increases to 109,000 individual and joint owners. This does not include 11,000 family partnerships totaling 1,099,000 acres. This places the total in excess of 120,000 timber owners alone.

Finally, SC's working forests support a wood and paper products industry with an annual economic impact of \$17 billion -- one of the state's largest economic engines. Timber is South Carolina's leading cash crop at \$870 million. Agriculture, forestry, and other natural resource based industries represent an annual economic impact of \$50 billion -- or one-third of the state's total economy.

We thank the Commission for its deliberation on ways to curb abuse of the timber tax valuation, but in the process we **should avoid changes to the system that penalize bona fide timber growers or the industry they support.**

*Bob Scott is president of the SC Forestry Association of Columbia, SC – a 3,000 member private conservation organization of family forest owners, wood and paper product companies and related businesses, foresters, conservationists, and other stakeholders who support working forests. Its mission is to protect and develop the forest resource through sustainable management. SCFA was instrumental in adoption of Act 208.*