

## The FLTC Tax Report

News from the Forest Landowners Tax Council

Prepared on August 8 2005

The following, from the Forest Landowners Tax Council, updates us on current federal tax events and legislation affecting non-industrial private forest landowners.

**Death Tax:** The Senate has postponed its vote on H.R. 8, which has passed the House and which ends the death tax after the current phase-out is complete in 2011, until later this year. Majority Leader Bill Frist (R-TN) has already filed for cloture on the bill and it's expected to be one of the first orders of business, upon the Senate's return to Washington after the August recess. So, it is immensely important that constituents ask their Senators – especially in Oregon and Montana – to “vote ‘yes’ to invoke cloture and the vote to pass H.R. 8.”

With the debate over permanent repeal of the death tax on hold until September, it may be useful to re-examine public opinion on the tax. According to a Tax Foundation/Harris Interactive survey of 2,013 adults, Americans are surprisingly united in their distaste for the federal death tax. Respondents said that it is the most unfair of all federal taxes. Not only do they think the tax is unfair, but a majority favor outright repeal. When asked if they favor eliminating the death tax, an overwhelming 68 percent favored elimination. Support for repeal is significantly higher among middle-class Americans earning between \$35,000-\$75,000 (73 percent) and families with three or more children at home (76 percent). Notably, support for death tax repeal is growing rapidly. In 2003 just 54 percent of Americans favored repeal; an increase of 14 percentage points in just two years.

**Income Averaging:** The FLTC board of directors has now reviewed and approved a draft bill on the reinstatement of income averaging for non-industrial private forest landowners; this after approval of an official statement on the issue in June. FLTC staff will now seek Senate and House sponsorship on the bill, after which we may see a bit of redrafting. Whereupon, the bill will be submitted to the Congressional Joint Committee on Taxation for their estimates of how such a law affects the U.S. Treasury.

For most taxpayers, the option to use income averaging to compensate for unusual or unexpected income during a particular year expired with the 1986 Tax Reform Act. Income averaging permitted taxpayers to avoid being put in a high tax bracket during the year the large amount of income was received. However, farmers and fishermen are an exception to the rule. Section 1301 of the Internal Revenue Code, as amended several times over the years, permits these two categories of taxpayers to elect to average farming and fishing income over three years. Timber owners (tree farmers) are excluded from the definition of "farming." However, non-industrial timber owners, who for the most part only realize timber sale income on a sporadic basis, are as deserving of the option to income average as are farmers and fishermen.

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*The Forest Landowners Tax Council is an independent non-profit organization dedicated to providing an effective and unified voice for non-industrial, private forest landowners on federal tax issues. Membership is open nationwide. Visit their website at [www.fltc.net](http://www.fltc.net), or contact them at e-mail: [Director.FLTC.net](mailto:Director.FLTC.net), tel: 703-549-0747, fax: 703-549-1579.*

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**The organization that fixed IRC Section 631(b) for non-industrial private forest landowners!**

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