

The Effect of Forest Taxation on Sustained Yield
Forestry, and Possible solutions to the Problem

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A Thesis

Presented to the Faculty

of the

School of Forestry

Oregon State College

In Partial Fulfillment

of the Requirements for the degree

Bachelor of Science

June 3, 1940

Approved:

Professor of Forestry

Forward

Present systems of forest taxation are as outmoded as the horse and buggy. This may seem like a startling statement, but it is a true one, nevertheless. Present methods of forest taxation were designed to cope with the destructive logging methods of the past. The unit of government either had to get its share before the timber was all out, or it was left holding the bag. Those days of destructive logging are nearly gone, and with their going must come better administration and methods of forest taxation. (17)

The Effect of Forest Taxation on Sustained Yield Forestry, and Possible Solutions to the Problem

Introduction

For many years, forest taxation has been a subject of discussion and complaint. Before 1909, some literature appeared on the subject, including contributions by such men as Fernow, Schenck, Gaskell, Akerman, Elliott, and others. In 1909, the report of President Roosevelt's Conservation Commission contained a monograph by Fairchild on forest taxation, which was influential in bringing attention to the subject. The problem attracted the attention of the National Tax Association, the Society of American Foresters, the American Forestry Association, and others interested in forestry and conservation. The lumbering and logging associations took the matter up, and there was a steady growth of interest and discussion. Many states tried experiments in legislation which were designed to solve the problem.

This paper will attempt to point out the problems presented by forest taxation, and show what has been done to remedy them. What effect does taxation have on sustained yield forestry? What can be done to remedy the situation that now exists? These are questions that should be answered. The purpose of this paper is to do this.

The importance of taxation in determining the management policy of forests has long been a subject of conjecture. Undoubtedly it is quite important, because it has provoked widespread discussion as pointed out. Just what its place in the picture is, will be pointed out.

Prior to 1926, there was little actual data on this problem. At that time, the United States Forest Service initiated a broad investigation of the subject under the provisions of the Clark-McNary Act. This was known as the Forest Taxation Inquiry, and was completed in 1935. The data collected was very complete, and added greatly to knowledge of the subject. Since then, many other writers have brought forth ideas on various phases of the subject.

In writing this paper, much of my data came from the more important of these articles. In addition, I added several ideas of my own relating to the subject. The idea was to present a study of the subject from which certain definite conclusions can be drawn relating to importance, present status, and future action desired.

moves and probably get the active support of all land and property owners.

Chapter I

The Effect of Taxation on Sustained Yield Forestry and the
Cutting of Timber

Just what effect does taxation have on the cutting of mature timber and on sustained yield forestry? This is a matter of widespread conjecture among the uninformed, and one that needs to be cleared up. Many people believe that high and unjust taxation is to blame for the destruction of our forests. This is not true. Taxation is not now, and never has been, the main factor in determining the time and rate of cutting mature timber, or a major cause in the destruction of our forests. (4)

The United States Timber Conservation Board sent out a questionnaire in 1931 dealing with this subject. One of the questions asked was, "What are the principal causes of over-production?" The replies on this question were as follows. (15)

Number of returns-----	124
This question not mentioned-----	31
Taxation not mentioned-----	76
Taxation mentioned-----	17
As only cause-----	2
First among several causes-----	9
Following other causes-----	6

Thus we can see that taxation, at the time of this questionnaire was considered only a minor influence in overproduction or forced liquidation.

Another mistaken notion held by many is that taxation is all that prevents the widespread investment of private capital in forest growing in the United States. There is no doubt that the majority of timber owners and investors are not at the present time interested in investing money in the growing of forests on cut-over and second-growth lands. The hazards of such investment are regarded by most men as too great. Among these hazards, taxation is one, but generally not the most important. (4) The chief reasons why sustained yield forestry is not practiced, as listed by Mathews, are as follows: 1. Fire and other hazards 2. Actual or apparent unsatisfactory distribution of age classes 3. Difficulty of adjusting present methods of financing to the requirements of sustained yield management 4. Current methods of taxation 5. Failure of owners to appreciate the economic possibilities of sustained yield. (17) In addition to these should be added uncertainty as to future prices, and the time element involved in securing a second crop of timber. Even though taxes were made perfectly equitable, these other reasons would still control the majority of owners of cut-over lands in their present frame of mind.

The answers to the questionnaire sent out by the Timber Conservation Board in 1931 gives some evidence concerning the effect of taxation on timber growing. One of the questions

asked was, "When reforestation is not being undertaken, what are the principal reasons?" The answers to this question were as follows: (15)

Number of returns-----	124
This question not answered-----	41
Reforestation is being undertaken-----	11
Taxation not mentioned in answer-----	37
Taxation mentioned-----	35
As only cause-----	16
First among several causes-----	13
Following other causes-----	6

Another question asked was, "What are the principal obstacles to commercial reforestation?" The answers to this question showed: (15)

Number of returns-----	124
This question not answered-----	33
Reforestation is being undertaken-----	8
Taxation not mentioned in answer-----	26
Taxation mentioned-----	57
As only cause-----	20
First among several causes-----	22
Following other causes-----	15

The data presented above indicates that taxation does exert considerable influence, in many cases, on the growing of timber. The chief reason why it is not stronger is evidently because many land owners would not be interested in timber growing even if taxes were removed entirely. This

fact is brought about by the other obstacles mentioned. Also, the silence of those owners who did not answer the questions seems to indicate that they are not interested in timber growing.

Knowing the true place of forest taxation in the picture should serve to banish hopes for magical results from forest tax reforms. If forest tax reforms will not result in curing all the ills of forestry, and result in widespread investment in timber growing, it does not follow that there is no problem. Although taxation may not be the controlling factor in determining the management policy for mature forests, it is one of the factors that determine this. Also, although many forest owners have little or no interest in investment of capital in timber growing, there is a small but growing group which is interested. A sound tax system would encourage this group. Some of the large group of timber owners who are not interested in the investment of money in timber growing are discouraged because of the hazards of taxation. Though all other factors were favorable, the present property tax, in many cases, involves such uncertainty and ruinous possibilities that most forest land owners are discouraged about investing in cut-over lands. (4)

Thus we see that while removal of the tax obstacle will not alone change the attitude of forest owners or remove all the difficulties, it will at least remove one of them.

Chapter II

Present Methods of Taxation

The theoretically perfect tax on forest property would take the same portion of income available from its future use, regardless of the type of income stream. Such a tax would impose no handicap on forestry where the use of the land for forestry comes into competition with other uses promising earlier returns. (7) This tax should also be workable or practical. A tax system which cannot be effectively administered, which is uncertain as to the taxpayers liability, or which permits evasion or fraud is not practical, no matter what its virtues may be. (15 p. 9) The needs of the government must also be considered in the ideal system. It is impossible for a unit of government to exist without tax revenue. Forestry must pay its fair share of such taxes when they are needed.

Let us now examine the present methods of taxation to determine if any of them meet this ideal.

The Ad Valorum Property Tax

The ad valorum property tax is the one most widely used in taxing forests, and so will be considered first. This unmodified property tax is not appropriate to the early stages of forestry now found in this country because the tax must be paid every year, while income is not usually obtained until after a period of many years has passed. Of course

this condition is not true in France, Germany, and other European countries where the advanced stages of forestry enables owners to secure an annual income. In most forest regions of the United States the timber has been so heavily cut that a long period of waiting is necessary before any income from the capital invested in young trees can be realized. In a few areas, there are stands of mature timber which because of location, quality, and value can best be held for future markets. The taxes which must be paid in both these cases may involve a substantial part of the cost of the ultimate sustained yield forest, and may be the deciding factor, as shown before, in determining where such establishment would be profitable. Thus we see that the usual American situation is that of a deferred yield property. The property tax takes a higher proportion of prospective or future income from such property than it does from property yielding a regular annual income, because of the compound interest which must be applied to the money paid out for taxes. Also, it may often be difficult to secure money for taxes until such time as a return is realized. Thus we see that the property tax is not the ideal tax for forest property. (14, p.5)

The Yield-Tax

Early in the present century, following the report of President Roosevelt's Conservation Commission, the idea of the yield-tax began to attract widespread consideration as a substitute for the property tax on forests. Beginning

with Michigan in 1911, 14 states enacted various forms of this plan.

Various means were adapted in order to make the yield-tax laws both acceptable and effective. These included making classification optional with the owner, limiting eligibility for classification to properties not exceeding a specified size or value, and granting the states authority to enforce rules and regulations in order to obtain a degree of forestry practice. In some states the land was left under the unmodified property tax, and in others a degree of certainty was sought through fixed or limited assessments or tax rates, or through fixing the specific amount of tax per acre. Several states also paid annual sums to the local communities where loss of the timber tax base might result in increased taxes on other property. (8)

These forest-tax laws providing for optional classification failed to have any great effects on the practice of forestry, because the various restrictions prevented wide application. In all cases only cut-over and young timber lands were affected. This failure led to the idea of segregation of a general class of forest property which would be given the benefit of appropriate taxation regardless of the action of the owner. It was believed that those owners who were prepared to practice forestry if the tax obstacle were removed, but who would hesitate to seek classification under the optional laws, would welcome such general classification and proceed to put their plans into effect. It was also

believed that such classification, by offering a moderate tax without imposing any regulations other than fire protection, would induce private owners who are not now interested in forestry to retain their cut-over lands rather than let them go tax delinquent. This idea has been adapted by the yield-tax laws of Oregon and Washington, enacted in 1929 and 1931 respectively. (14)

The yield-tax laws having the greatest effect up to this time are those of Oregon and Louisiana, each affecting about one-half million acres of private land. Even in these states very little money has been collected, since the laws apply only to cut-over lands. Thus little actual results from yield-tax laws has been obtained. What their ultimate effect and success may be remains to be seen.

Let us examine the theory of the yield-tax plan. Its main feature is the substitution of a tax based on income for the property tax. This can be either a pure yield-tax, in which both land and timber values are placed under this form of taxation, or the modified yield-tax in which only the timber values are taxed in this manner, while the land values are subject to an annual property tax. The pure yield-tax has the advantage of simplicity, and relieves the owner of all taxes in advance of income. On the other hand, certain values such as grazing, recreation, fish and game, etc., would be difficult to tax under this plan.

The yield-tax plan as a whole has certain obvious advantages. It would reduce the cost of establishing sustained yield forests, either from cut over areas or from young timber,

below the cost under the property tax. It would also relieve timber owners of the need to finance tax payments in advance of income. Another advantage is that the owner would be relieved of carrying the entire risk of loss by fire or other causes. There would be no yield-tax to pay on timber that was destroyed by fire. (15, p. 573)

The yield-tax plan is subject to certain serious drawbacks, however. One of the most serious is that the amount of revenue produced would be variable. The needs of the local government are not taken into consideration by this plan. Certainly the revenue produced would vary widely from year to year.

The next difficulty arises as to the rate of the yield-tax. Obviously the rate should be such that forests would bear a burden at least equivalent to the burden of the property tax on other property. In most yield-tax laws thus far enacted, however, some figure has been pulled out of the air with little or no justification. These rates at present vary from 5% to 12½%. Studies by the Forest Taxation Inquiry show that these rates would have to be much higher to approximate the present property tax burden.

Furthermore, the separation of timber from the local property tax base involves dangers from the owner's viewpoint. This would result in loss of that protection against unequal treatment enjoyed under the general property tax. A future legislature hard pressed for funds might raise the yield-tax to a rate more burdensome than the property tax.

The report of the Forest Taxation Inquiry states that the yield-tax cannot be recommended because of these disadvantages. However, the effects of the yield-tax should be watched in the states where it is now in use, and it should be kept in mind because of its advantages of payment when revenue is received and because of its simplicity.

There is yet another view that must be considered. If the owners of cut-over land refuse to engage in timber production, the public is placed in a most precarious position. In a case such as this, the yield-tax may be regarded as a remedial or salvage measure in which the public recognizes that whatever taxes it receives from such forest lands are obtained by a partnership with the private owner, the owner attempting to restore his land to revenue producing property, and the public to continue to derive taxes from the property.

(18)

Inheritance Taxes

There is yet another tax, which should be mentioned as being of importance. This is the inheritance-tax or death-tax. Forestry can have no complaint against any reasonable system of inheritance taxation, as is the case with all such American taxes. There is one factor which should be considered, however, with regard to sustained-yield forests. It may be that the tax imposed on such a forest is in excess of available cash. This may force sale of some of the property, thus disrupting the sustained-yield forest. The best remedy here would be to allow the payment of the tax over a

period of time, thus permitting the owners to continue operations under the present system of management.

Chapter III

The Nature of the Forest Tax Problem

The existing tax obstacle to the practice of sustained yield forestry may be broken down into three main divisions. These are:

1. The high cost of local government.
2. The faulty administration of the property tax, causing forestry to bear more than its fair share of the burden.
3. The inherent disadvantage of the property tax when applied to deferred yield forests. (140

The high cost of local government

The Federal tax bill has increased from \$875,000,000 in 1890 to \$10,266,000,000 in 1930. On a per capita basis, this amounts to \$14 in 1890, and \$83 in 1930. Making allowances for changes in purchasing power, we find that the percent is almost exactly double today. Federal taxes are not greatly involved in forest taxation, but state and local tax, have increased an even greater percent since 1890. There were \$501,000,000 in 1890 and \$6,798,000,000 in 1930. To meet this increased demand for money, assessment rates have gone higher and higher. (4)

Let us examine the causes of the high cost of local government. The first reason is that the organization of local government in many sections of the country is obsolete.

A great multitude of small units now exist due to the fact that as the basic units set up many years ago proved unfit for the administration of new functions, special districts were set up to meet these needs. The result is a series of governments having overlapping jurisdiction. This in itself gives rise to inefficiency. In addition to this, the wealth of these units is not divided equally. Some communities have many forms of wealth, while others have very little. Even though government functions in such poor communities are carried on with the greatest efficiency, costs are higher per person than in the wealthier, more heavily settled communities. (14)

Another cause of the high cost of local government is lack of a sound land planning policy. Settlers have been allowed to settle in districts where communities cannot be expected to become self-supporting. They have established footholds in "shoestring" valleys and small areas of farming land walled in by mountains and non-agricultural lands. The cost of supplying such regions with the usual public services must be paid by the surrounding forest land and other taxable property within the tax district.

In addition to these reasons, there is also a general lack of economy and efficiency in administration of local government. Graft and corruption are often evident, and the use of untrained men is the rule rather than the exception. (14)

What can be done to reduce the cost of local government? First, we can bring about relief from heavy taxation of forest property by reorganization of local government without dispensing with essential services. The existing forms of government have in many cases been rendered unnecessary under modern conditions by the growth of transportation facilities and by changes in economic relationships. To consolidate some of these governmental units and eliminate others would greatly reduce costs. This can be done by:

1. Abolishing the township in states other than New England states.
2. Reducing the number of counties by consolidation of the weak and the strong.
3. The elimination of special taxing districts wherever possible.
4. The elimination of school districts by making the county the administrative agency. (15)

It is interesting to note that the Pacific Northwest Experiment Station is now carrying on an experiment in Pacific and Skamania counties, Washington, with the idea of adapting these methods to northwestern conditions. (11)

Another method of reducing taxes would be by the complete abandonment of local governments in very sparsely settled forest districts. A section in northern Maine is managed in this fashion, and gets along very well. Property in that section enjoys modern taxes paid directly to the state.

The few residents get all essential governmental services provided directly by the state.

Public control of land settlement by efficient land planning would also reduce the cost of local government. This policy would divert settlement to suitable regions and eliminate the excessive cost of schools and roads which must be provided in sparsely settled areas.

Forest districts which are now overburdened with taxes because of the lack of resources would benefit if the state would assume the support of certain functions now maintained by local taxes. North Carolina, for example, took over the support of all public schools and roads in the state. While other states are not prepared to go this far, favorable results would be obtained by less extensive state aid.

In addition to the reorganization of local government, more efficient administration can be brought about by the use of men trained in such work. At present, the administration of local governments is carried on by elective officials, most of whom have little training for such positions. State supervision and guidance would also be of value in bringing about more efficient administration.

It must be realized that these reforms will come about slowly. However, forest land owners, are not the only ones who complain about high taxes, and we would have the support of nearly all tax payers in bringing about these reforms. This would not be the case for special legislation designed to relieve only forest owners. (15, pp. 621-632)

The faulty administration of the property tax

The property tax, as it is used in the United States, is a far different thing from the ideal which its founders conceived. For instance, it has frequently been demonstrated that forest property, especially cut-over land, is assessed far more than it is worth. T. H. Crawshaw and A. B. Recknagel report instances where assessed values have been jumped by the assessors to meet the need for increased tax revenue. (12) These practices are illegal, and the owner can appeal to the courts, but the taxpayer may be ignorant, the legal procedure costly, the values difficult to prove. Often, the taxpayer will merely submit to the unfair assessment.

As a general rule in most states, property is assessed at less than its true value. It is often found that forest property is assessed at a higher rate than other classes of property. The remedy here is not as simple as where full assessment is made. If the owner of forest property takes the case to court, he may prove only that his property was assessed at less than the law allows. To prove that he was assessed more heavily than other is often a hopeless task.

In still other cases, the exploitation of mature timber is sometimes hastened by the action of assessors attempting to get all possible revenue before the timber is removed. Timber owners often complain that it is a race between themselves and the assessor, and the only possible solution is to remove the timber as rapidly as possible.

It is easy to see that a situation such as this would quickly discourage any owner who was contemplating sustained yield forestry. This condition is disastrous not only to the land owners but also to the local governments who thus lose their source of revenue.

The assessment, the heart of the property tax, falls far short of the legal requirements. Local assessors often either set minimum assessed values, or attempt to maintain a certain total valuation for a district, or make horizontal increases or decreases in the assessment of all property or one class of property. These methods are all illegal, but are in common use. The state agencies for review and equalization are usually ineffective. (15, pp. 523-524)

In addition, the methods of assessment used for forest lands are very unscientific and unjust. It is customary in applying the property tax to standing timber to assess the land and timber together as if they were equally productive. The whole property is given a value, the land at so much per acre, and the timber at so much per thousand, and this value is treated as if it were true capital capable of producing an income in proportion to other capital instruments. Of course, this is correct if the assessment is correctly determined, but this is seldom done. The timber may have the value at which it is assessed if it is to be immediately converted to lumber, and the land may have the value given if it could be sold, but neither has these values when held and managed for the production of a sustained income.

For example, let us assume that 60,000 acres carrying a stand of 12 M bd. ft. per acre in Southern pine is being managed for continuous production at 60 rotation. The annual cut is 24,000 M bd. ft. worth \$10 /M on the stump. The annual income would be \$240,000 and the value of the property if arrived at by capitalizing income at 10% to allow for risk would be \$2,400,000. If this were taxed at 2%, the annual tax would be \$48,000, or 20% of the annual income. This would be a just method of taxation.

However, under the usual method of assessment, the value would be found by multiplying the value per thousand by the total volume, and then adding the value of the land. In the instance given there are 720,000 M bd. ft., so this would be worth \$10 times 720,000 M or \$720,000,000. Taxed at the rate of 2%, this assessment would call for an annual tax of \$150,000, or 62% of the annual income.

It is easy to see where the errors are in such assessment. First, only the timber making up the annual cut is worth \$10 per thousand. The rest would yield lumber of a lower grade and value than that manufactured from the crop trees. No account is made for future costs that must be paid on the remainder of the area. Secondly, the \$10 per M value is based upon the costs involved in producing 24,000 M bd. ft. per year and a market that will absorb this amount. If an attempt were made to immediately cut the whole area, it would seriously affect market prices.

With taxation at the rate shown, the owners would probably abandon their sustained yield program and liquidate.

As soon as this was completed, the community would have only the value of the bare land left to tax. (17)

While all property is subject to the danger of unequal assessment, forest property is excessively endangered. When starting from bare soil, a very high proportion of the growing cost is represented by taxes. Also it is usually difficult to withdraw the investment until the trees reach maturity. It is true that part of the uncertainty as to future taxes results from inability to predict the future cost of government, but also much of this uncertainty results from unlawful or unjust assessment. Young timber and cut-over lands are particularly vulnerable. Thus many owners who might engage in forestry are discouraged by this picture.

What can be done to bring about equal and just assessment? First of all, assessors should be required to assess property at its full value. This is not an impossible task, as has been demonstrated in several places.

Along with this, the most improved methods of arriving at correct assessment should be introduced. These include maps, surveys, and sales records. Scientific methods now in use in many cities should be adapted to rural areas.

To bring these changes about, many changes are necessary in assessment organization and personnel. The county is usually too small an area to maintain an efficient organization, and so assessment by the state or groups of counties is desirable. Where neither of these changes can be made, the state should offer greater control and assistance to local governments. Personnel for assessment should

be full-time, well-paid, expert assessors appointed on a merit basis.

In bringing about these changes, we as foresters will have the support of other taxpaying groups as well. Everyone will benefit from just assessment. Results will probably be slow, but they can be brought about.

The inherent disadvantage of the property tax as applied to forests

As pointed out before, the general property tax possesses certain disadvantages when applied to deferred yield forests. Also up to this date, no satisfactory plans have been worked out for correcting this situation. The Forest Taxation Inquiry worked out three possible methods of changing the operation of the property tax for application to such forests. These will be explained and discussed in the following paragraphs.

1. The adjusted property tax

The first method is known as the adjusted property tax. This method is to reduce the current property tax on deferred yield forest by an amount proportional to the extent of income deferrment. It requires that the current tax base of a deferred yield forest be adjusted by deducting from the current assessed value of the forest the taxes and interest accumulated to the previous year minus any values plus interest which have been received from the forest.

I think this plan can be disposed of with no further discussion. As can be easily seen, it would require a

highly complicated bookkeeping system to maintain such a system, and this is not available in most cases. (14)

2. The deferred timber tax

The first step in applying this tax would be the separation of land and timber values. The tax on the land value would be paid in the usual manner. However, the tax on the timber values would be deferred as far as the owner was concerned until the timber was cut.

The annual taxes on the timber would be paid by the state to the governmental units levying the taxes. This would be done by means of a state timber-tax fund which would be created for such a purpose.

When the owner received the income from the timber, he would be required to pay the deferred timber taxes accumulated without interest to the state fund. The maximum percent of the value of products cut or sold which he would have to pay would be set by law. Any taxes in excess of such a percent would be carried forward as a charge against future income. This rate should be high enough to cover the tax bill in all but the most unfavorable cases. Thirty percent has been suggested as an approximate rate for most cases.

The main difficulty of this plan would come in setting up the large reserve necessary to finance such a plan. This could be done by taxing other property in the state, some other special tax, or by borrowing the money. In any case, serious difficulties would be encountered.

This tax is decidedly favorable to the timber owner, because it shifts part of his tax burden onto other property. It also involves a serious difficulty in setting up the special fund to carry on the procedure. For these reasons, the voters cannot be expected to approve of such a plan even though it were highly desirable. (14)

3. The differential timber tax

This plan for adjusting the property tax burden on forest property embodies simplicity of operation rather than a close adjustment in every individual case. Under this plan the land would be left under the ordinary property tax, but the timber would be classified for differential assessment.

In the case of second-growth forests, and for old-growth timber where it is not an important element in the tax base, a reduction would be made in the assessed value of the timber by means of a reduction factor. This factor would be uniform throughout the state, and would be so calculated as to give forest properties a tax burden equivalent to that of a net yield-tax. This factor would be an average, and those properties subject to a greater deferral of income than normal would bear a heavier burden. On the other hand, forests regulated so as to receive income at shorter intervals would enjoy a lighter tax burden.

In cases where old-growth timber is an important part of the tax base, as in Oregon, a transition period of perhaps 20 years would elapse before the plan became fully

effective. During this period the reduction factor would gradually increase until it became fully effective. (14)

The advantages of this plan are its simplicity and the relief which it would offer timber owners. On the other hand it is not precise, and Samuel T. Dana says that it appears to offer a direct subsidy to timber owners.

While all of these plans have certain advantages, none of them appears to offer a really adequate solution to the problem. In addition, it would probably be impossible to put any one of them into effect. The real solution may prove to be a combination of these solutions, or one radically different. In any case, no immediate relief appears to be in sight through modification of the general property tax.

Chapter 1V

The Opportunities for the Individual Owners to solve
the Forest Tax Problem

There are several things that each individual owner of forest land can do to solve his tax problems. First of all, as pointed out previously, the property tax is not unfair if income is received for the forest property every few years. If the owner will organize his property on this basis wherever possible, he can solve his tax problem in this manner. Of course, many owners would be unable to do this.

Another solution for owners who wish to practice sustained yield is suggested by F. A. Silcox. He suggests that owners who approach state and county authorities with a workable plan for sustained yield forest management and who convince these authorities that they can and will operate on such a basis will usually get a square deal. Forest owners in the past have usually practiced "cut and get out". Therefore, taxing agencies have been forced to get their share while possible or be left holding the bag. The timber owners must take the initiative in making their plans known. (16)

Finally, forest owners can give their support to any measures designed to reduce the high cost of local government units or to correct the faulty administration of the property tax. In fact, owners of forest property can initiate such

Summary

Findings and Conclusions

1. In this paper, we have found that although taxation is quite important to the practice of forestry, it is not the chief cause of cutting of mature timber, or the main factor in preventing the widespread investment of capital in timber growing. However, it has been shown that there is a definite problem presented by forest taxation. This should be solved as one step in bringing about better forestry.

2. Methods of taxing forest property now in use are not satisfactory either because of inherent disadvantages in the methods or through faulty administration.

A. The property tax in its present form is not suited to the early stages of forestry found in this country.

B. The yield-tax laws now in use have so far had little effect due to limited application. In addition, they cannot be recommended as a solution to the problem.

C. Inheritance taxes do not at present offer any serious obstacle, but payment of them should not be demanded all at the time of death.

3. The causes of the forest tax problem can be divided into three general divisions which are:

A. The high cost of local government resulting in high taxes.

- B. The faulty administration of the property tax, causing forestry to pay more than its fair share of the tax burden.
- C. The inherent disadvantages of the property tax with regard to deferred yield forests.

Recommendations

The following points are recommended as solutions to the problem;

1. Reduction in the high cost of local government by;
 - A. Reorganization of local government units.
 - B. Adaption of a sound land planning policy.
 - C. More efficient administration through the use of trained personnel and scientific techniques.
2. Bringing about better administration of the property tax by;
 - A. Requiring full assessment of all property.
 - B. Use of scientific methods of assessment.
 - C. Requiring assessment by the state, or providing for greater state aid and control.
3. Modifying the property tax for application to forest property by one of the following methods or a possible combination of such methods;
 - A. The adjusted property tax.
 - B. The deferred timber tax.
 - C. The differential timber tax.

4. Activities by individual owners in bettering their status through;
 - A. Establishment of annual-yield forests.
 - B. Securing cooperation with local taxing agencies.
 - C. Supporting or initiating efforts to reduce the cost of local governments and bring about better administration of the property tax.

It should be recognized that any progress made in solving this problem will necessarily be slow. However, the problem is one which must be solved, and we as foresters must do all in our power to bring about such a solution. It is my belief that if the recommendations made in this paper are followed, the solution will at least be much nearer, if not fully attained.

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