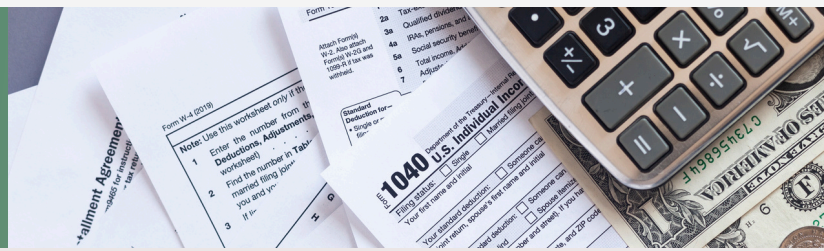


# POLICY ISSUE BRIEF



FOREST RESOURCES ASSOCIATION

## TAXES



### BACKGROUND

Delivering paper and wood products that consumers rely on daily is a capital-intensive enterprise. Whether managing forestland, logging, sawmilling, or manufacturing pulp and paper, our operations require continuous investment in new equipment and maintenance of existing machinery. FRA members rely on benefits in the tax code to keep the costs of running our operations manageable and to remain competitive in a global marketplace. The Tax Cuts and Jobs Act (TCJA) of 2017 included several tax provisions that benefit every link in the forest products value chain. FRA respectfully requests Congress to act expeditiously in passing legislation to restore and make permanent the following tax benefits so that U.S. job creators may continue to produce high-quality and affordable forest products here in this country and sustain the good paying jobs our sector supports.

#### **Bonus Depreciation**

Under the TCJA, companies could fully write off—100 percent—the costs of investments in machinery and equipment in the same year in which those costs were incurred. At the beginning of 2023, that percentage ratcheted down to 80 percent and will continue to decrease by 20 percent each year until this benefit is fully phased out in 2027. Eliminating this critical tax benefit will only serve to increase the cost of investment at our facilities and manufacturing sites in every sector and state, limiting the modernization of equipment and operational improvements.

#### **Research and Development (R&D) Tax Credit**

This important tax provision, which allowed manufacturers to fully write off the costs of research and development in the same year in which they were incurred, expired in 2022. Now, manufacturers must amortize these costs over a 5-year time period. This change increases manufacturers' costs, limiting the amount of capital allocated to research and development. Investments in R&D help U.S. companies remain competitive with China and other nations around the world.

#### **Sec. 199A**

The TCJA authorized a 20 percent tax deduction for smaller companies organized as pass-throughs. These companies are typically structured as S-Corporations, and this critical tax deduction was designed to bring the tax treatment of pass-throughs more in line with favorable tax rates for larger C-Corporations. This key tax benefit is scheduled to sunset after 2025.

### ABOUT FRA

The Forest Resources Association (FRA) is the only national organization representing all sectors of the wood supply chain. It advocates for its members on federal policy, supply chain relations, and forest operations. FRA members are represented in 49 states and 384 congressional districts.

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