

Hardwood Federation Shares Top Initiatives For 2016

By Dana Cole

The old year has ended and the New Year is upon us. In addition to enjoying the joys of the season, the end of 2015 provided us with some time to review the past and look forward to the future of the Hardwood Federation's efforts in Washington on behalf of the industry.

Before leaving Washington for the holidays, the House and Senate passed a 2015 Omnibus Spending Bill and Tax Extenders package and forwarded it to the president for signature, concluding the major legislative business for the year. Unfortunately, attempts to address biomass carbon neutrality and Waters of the U.S. to the Omnibus were not successful. However, these issues will be back in 2016. And, although a comprehensive package addressing wildfire funding mechanisms and federal forest management was not passed, the Omnibus package did include some important victories for the forest products industry, as noted below.

Forest Management

Several U.S. Forest Service programs important to the hardwood industry received increased funding and directional support in the Omnibus and report language.

Fire Suppression: Although the bill does not provide a permanent fix to the fire-borrowing problem, the bill provides \$4.2 billion for wildfire fighting and prevention programs—\$670 million above the 2015 enacted levels. This should reduce the borrowing from other Forest Service programs at least in the next fiscal year. Hazardous Fuels Reduction programs will be funded at \$545 million, an increase of \$19 million. (Although a particularly bad fire season in 2016 could diminish these increases quickly.)

Timber Harvest Programs: The Omnibus includes an increase of \$21 million for timber sales, bringing the line item up to \$360 million. There is also strong House and Senate report language indicating that both chambers expect compliance with program objectives, i.e., increasing timber sale outputs in a more efficient manner.

Northern Long Eared Bat: There is report language in the bill directing Forest Service research staff to prioritize studies of white nose syndrome.

Forest Inventory Analysis (FIA): The FIA program received a \$5 million increase for 2016.

Biomass

For those of you who have purchased a wood or pellet stove or are planning to, the Sec. 25C non-business energy property credit was extended retroactively to Jan. 1 of this year and forward through 2016. In this section, buyers of qualifying wood and pellet stoves are eligible for a \$300 credit.

For those of you who produce wood pellets at your facilities, the report accompanying the omnibus package includes language-directing USDA to reform the way it administers a renewable energy program that affects wood pellet producers. The Farm Bill program, known as the Bioenergy Program for Advanced Biofuels, classifies wood pellets as "advanced biofuel," which makes pellet producers eligible for direct payments under the program. In recent years, USDA has adjusted the payment allocation to favor producers of liquid biofuel. Language in the omnibus directs USDA to reformulate the payment allocation so that disbursement is fair and equitable across the suite of advanced biofuels that now qualify.

Business Taxes

As noted above, a number of business-friendly tax deductions were included in the final package.

Among the most important is a provision permanently extending the Section 179 The provision permanently extends the small business expensing limitation and phase-out amounts in effect from 2010 to 2014 (\$500,000 and \$2 million, respectively). These amounts currently are \$25,000 and \$200,000, respectively. The special rules that allow expensing for computer software and qualified real property (qualified leasehold improvement property, qualified retail

improvement property) are also permanently extended. The provision modifies the expensing limitation by indexing both the \$500,000 and \$2 million limits for inflation beginning in 2016 and by treating air conditioning and heating units placed in service in tax years beginning after 2015 as eligible for expensing. The provision further modifies the expensing limitation with respect to qualified real property is eliminating the \$250,000 cap beginning in 2016.

Another critical provision is the Research & Development credit, which was also made permanent. Beginning in 2016, businesses with less than \$50 million in gross receipts will be free to use the credit to offset alternative minimum tax. In addition, certain start-up businesses that may not have an income tax liability will be able to offset payroll taxes with the credit.

A Look Ahead

We now move into 2016. The election year is here, although for many it seems that the campaigns have been going on forever, not only is the White House up for grabs but also so are the entire House and 34 Senate seats. The presidential race is already turning out to be a fascinating one to watch, but the Senate race also has tremendous implications for the way Washington runs.

Democrats are optimistic that they can pick up enough seats in November to take back control of the Senate; Republicans are going to be fighting hard to maintain their current majority. Republicans hold 24 of the Senate seats up for election; Democrats hold 10. Conventional wisdom says that the Republicans have the greater challenge in 2016 in terms of protecting their majority in the Senate. Fourteen of the 24 seats held by Republicans are generally considered to be safe, leaving 10 in the toss up column; eight of the 10 seats held by Democrats are considered safe, leaving only two for them to protect.

The presidential contest will most likely have an impact on close races. History suggests that the candidate who wins the state

vote for president will help boost the Senate candidate of the same party to victory. Keep in mind that the candidates for the White House will not be formally finalized until the conventions at the end of July...and Senate primaries could continue through August. Until the final candidates are identified, analysis and predictions will be all over the map.

Election years typically result in front loaded Congressional calendars, and this year is no different. Both the Senate and the House will conduct most of their session days in the first six months of the year, departing after the 4th of July holiday for the Democratic and Republican Conventions at the end of July and then for the August recess. Congress will come back to Washington in full force in September, and then members will return to their home states to campaign. Depending on what legislation is “must do” after the election and how the elections turn out, they will be back for a couple of weeks in November and December.

So, where does this leave the Hardwood Federation? We still have a full plate of issues that we will be aggressively working in 2016. As noted above, we will continue efforts to pass legislation that deals with management of our federal forests as well as the funding mechanisms for forest fire suppression efforts. We will also continue to push the U.S. Environmental Protection Agency to recognize the carbon neutrality

of biomass, particularly in the Clean Power Plan package that was finalized in 2015. Waters of the U.S. and water permitting programs will also remain a focus.

There have already been a couple of significant policy developments in 2016. The U.S. Fish and Wildlife Service issued the final rule on the Northern Long Eared Bat (NLEB), a top priority issue for the federation over the past few years and the focus of much or outreach activities on Capitol Hill and within the Administration. As originally proposed, the rule had a chilling effect on the ability of landowners to harvest in the 39 states where the bat is found. The final rule is significantly better. Major provisions that favor the forest products industry include:

- Exempted forestry activities in areas within impacted areas.
- Harvesting limitations around known maternity roost trees in June and July were reduced from .25-mile radius to a radius of 150 feet. This is a big improvement over the 4-D rule issued last year and a tremendous victory for the

Federation and the forest products industry.

- Harvesting limitations around hibernacula remain at a radius of .25 mile, however, this is still less than originally proposed when the debate began.
- Elimination on conversion restrictions.

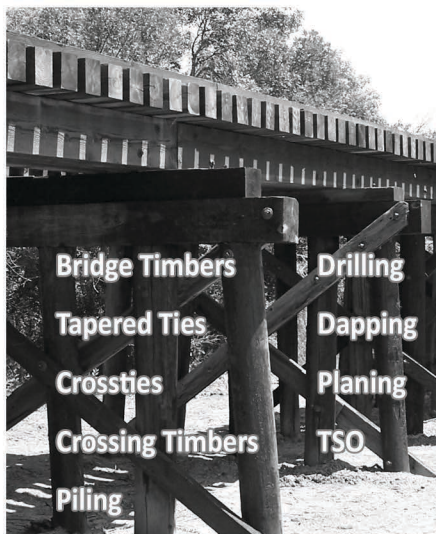
Also in January, the U.S. Environmental Protection Agency signed the final Non-Hazardous Secondary Rule that included some positive impacts for the railway tie industry. Under the final rule, creosote-treated rail ties are listed as materials eligible to be burned in boilers and thus remain covered under Boiler MACT. In addition, EPA added beneficial language for burning mixed rail ties that creates a “safe harbor” and boilers are grandfathered under the “designed to burn” test if they have switched from oil to gas.

We look forward to new challenges and opportunities for the hardwood industry in 2016. We also look forward to what promises to be a unique and unpredictable year in politics. ■



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