



Hardwood Federation – April 2023 Newsletter

From the Executive Director: *Tax Takes Spotlight on the Hill*

As Congress turns its attention to broader fiscal matters such as the debt ceiling and federal budget for Fiscal Year (FY) 2024, lawmakers have begun to roll out tax legislation that they hope will incentivize economic growth in an uncertain economic climate. On April 20, Sens. Shelley Moore Capito (R-WV) and Kyrsten Sinema (I-AZ) and Reps. Adrian Smith (R-NE) and Joe Morelle (D-NY) introduced the bipartisan and bicameral [American Investment in Manufacturing \(AIM\) Act](#). This important bill would restore the full suite of deductions for business loans, known as Earnings Before Interest, Depreciation and Amortization (EBITDA), thereby creating business certainty and promoting investment. Unfortunately, tax breaks for depreciation, which includes expensing of equipment and amortization were dropped in 2022. The Federation and its allies in the manufacturing community are urging Congress to restore these important deductions and pass the AIM Act.

In more tax news, the hardwood sector and the broader business community have identified restoration of the 100% expensing of equipment deduction as a high priority for the 118th Congress. Bonus depreciation serves as a powerful pro-growth tool by reducing the after-tax cost of long-lived capital equipment purchases such as kilns and boilers. Unfortunately, this provision began to phase down to 80% in 2023, per the requirements of the Tax Cuts and Jobs Act (TCJA) of 2017. Under current law, bonus depreciation will continue to scale down in 20% increments over the next four years, unless Congress intervenes. Failure to act will undermine business planning as well as result in higher tax liabilities for many businesses. To that end, lawmakers have also rolled out the [Accelerate Long-Term Investment Growth Now \(ALIGN\) Act](#). Introduced by Sen. Jim Lankford (R-OK) and Rep. Jodey Arrington (R-TX) on March 30, this important bill will make 100% expensing permanent.

Under an expedited legislative schedule, a rare event in a closely divided Congress, tax bills take several months to move across the finish line and are more often than not bundled into a single package at the end of the calendar year. Given this timetable, the Federation has placed tax policy as a high priority for the June Fly-In, creating an opportunity to build momentum for legislation that will maximize fiscal flexibility for hardwood companies.

Issues:

Hardwood Industry Focuses on the Farm Bill

As the process of drafting the 2023 Farm Bill moves forward, the Hardwood Federation continues to share the industry's top [farm bill priorities](#) with key ag policy leaders on Capitol Hill. These include ongoing visits and discussions with staff in the offices of House Ag Committee Chair GT Thompson (R-PA), Senate Ag Chair Debbie Stabenow (D-MI), Senate Ag Ranking Member John Boozman (R-AR), Senate Minority Leader Mitch McConnell (R-KY), committee member Sen. Mike Braun (R-IN), John Fetterman (D-PA) and Tommy Tuberville (R-AL), and several House Committee Member Offices.

Despite the heightened activity in Washington, the industry is also fanning out to events in the states. On April 14, House Agriculture Committee Chairman GT Thompson (R-PA), hosted a Farm Bill listening session in Binghamton, NY and was joined by New York Congressman Marc Molinaro (R-NY-19) and Rep. Nick Langworthy (R-NY-23) along with several other bipartisan members of the panel. John Bartow, Executive Director of the Empire State Forest Products Association (ESFPA) delivered [remarks](#) before the panel, sharing and supporting several Hardwood Federation priorities including the importance of recognizing the carbon storage value of wood products, increasing export promotion dollars and funding for USDA's biomass energy program. The event brought together a variety of stakeholders ranging from farmers to agribusiness owners to offer recommendations as the 2023 Farm Bill moves forward.

USDA Issues "Old Growth Forest" Framework, Notice of Proposed Rulemaking

On April 20, USDA [released](#) a report on old growth forests and a related Advance Notice of Proposed Rulemaking (ANPR) soliciting feedback from stakeholders on how the USDA should use current policies to manage forests in a manner that promotes climate resilience. In the report, the Administration claims that out of the approximate 178 million acres managed by the U.S. Forest Service (USFS) and Bureau of Land Management (BLM), 45% are mature and 18% are old growth. In August 2022, the Federation submitted comments to USDA's Request for Information (RFI) related to definitions for "old growth forest," advocating against a "one size fits all" definition. USDA's announcement is the latest regulatory action arising from [Executive Order 14072, "Strengthening the Nation's Forests, Communities and Local Economies"](#), issued in April 2022. The Federation is currently reviewing the agency's ANPR and will likely develop comments on the proposal, advocating for flexible definitions of old-growth that will not exacerbate challenges associated with access to timber for harvest.

Transportation, Supply Chain Legislation Kick Into High Gear

On April 19, leaders of the House Supply Chain Caucus, led by Reps. David Rouzer (R-NC), Dusty Johnson (R-SD), Colin Allred (D-TX), and Angie Craig (D-MN), conducted a

roundtable discussion to outline remedies for ongoing supply chain challenges. The Hardwood Federation attended the briefing along with about 50 other stakeholders—an unusually large number of participants, which underscores the fact that supply chain challenges are evident across the economy. Lawmakers focused on the Federation-supported [Safer Highways and Increased Performance for Interstate Trucking \(SHIP IT\) Act](#) (H.R. 471), which includes a number of policy proposals to entice new truck drivers to take up driving as a career. The bill also includes a truck weight pilot program for heavier trucks to travel on the nation's interstate highway system and may move with a broader "supply chain package" this spring.

The Federation also supports the bipartisan ["Strengthening Supply Chains Through Truck Driver Incentives Act."](#) (H.R. 2450), introduced by Reps. Mike Gallagher (R-WI) and Abigail Spanberger (D-VA) on March 30. This important bill will tackle the trucker shortage by promoting apprenticeships to address recruitment challenges within a severely understaffed and rapidly aging sector. Also expected to move this spring are the bipartisan Licensing Individual Commercial Exam-takers Now Safely and Efficiently (LICENSE) Act which promotes flexibility in the Commercial Drivers' License certification process. This bill is being sponsored by Reps. Darin LaHood (R-IL), Troy Balderson (R-OH), Dusty Johnson (R-SD), Jim Costa (D-CA), and Henry Cuellar (D-TX). In a bid to reduce collision fraud, Reps. Henry Cuellar (D-TX), Garret Graves (R-LA) and Mike Bost (R-IL) are moving the Highway Accident Fairness Act.

Federal Court Suspends New WOTUS Rule in 24 States

On April 12, a federal court based in North Dakota granted a motion from 24 state attorneys general to suspend the new Waters of the United States (WOTUS) rule in 24 states until it is reviewed by the Supreme Court during the next few months. The high court is expected to issue a ruling in [Sackett v. EPA](#), a case that involves landowners suing federal regulators for tying up their property over a wetlands designation. The [federal court order](#) suspending WOTUS only applies to states that are parties to the lawsuit, including West Virginia, North Dakota, Georgia, Iowa, Alabama, Alaska, Arkansas, Florida, Indiana, Kansas, Louisiana, Mississippi, Missouri, Montana, Nebraska, New Hampshire, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Utah, Virginia, and Wyoming. This comes on the heels of President Biden's [veto](#) of Congress's "Resolution of Disapproval" to rescind the Administration's stringent rule to expand permitting over wetlands and other bodies deemed to be subject to federal jurisdiction.

House Lawmakers Push "Resolution of Disapproval" to Rescind New NLEB Rule

In another bid to use legislative authority to rollback regulatory actions, on March 30, Rep. Pete Stauber (R-MN) introduced a ["Resolution of Disapproval"](#) under the Congressional Review Act (CRA) to rescind the U.S. Fish and Wildlife Service's "endangered" listing of the Northern Long Eared Bat (NLEB) under the Endangered Species Act. In late November

2022, the USFWS finalized a rule reclassifying the NLEB from “threatened,” to “endangered,” thereby triggering more red tape for harvesting permits. Although the measure stands a good chance to pass the House and may fare well in the Senate, it would require President Biden’s unlikely signature to cross the finish line. Meanwhile, the USFWS is offering an [Interim Consultation Framework](#), that will provide guidance through March 31, 2024, for projects taking place within the northern long-eared bat’s 37-state range.

Administration Allocates \$34M to Support Forest Management, Reduce Wildfires

Focusing on projects in the western states, on April 6, USDA [announced](#) \$34 million in funding for projects that promote sustainable forests, support the wood products economy and mitigate wildfire risk. The majority of the funding is going to projects that make use of small diameter timber and woody biomass from forests identified as at-risk of forest fire by the USFS in the western U.S. Funding allocation also prioritized projects based in disadvantaged and tribal communities. USDA also announced that a second round of funding will be available in the fall of 2023. The Hardwood Federation will share application information when it becomes available.