

To: Senator Brukaker-Chairman
Pennsylvania Senate Agricultural & Rural Affairs Committee
From: Don Rajoppi
Date: March 27, 2007

I prepare this statement as a businessman as well as a forest land owner. The property which my wife and I own was purchased several years ago with the intent to maintain the acreage in our family for future generations and develop a quality and diverse timber stand. In order to accomplish these two objectives, one must generate a significant amount of income to pay the annual real estate taxes on land which the timber production period may well exceed one hundred years combined with the cost of equipment which is necessary to be successfully involved in a forest stewardship program.

One might at first come to the conclusion that these costs are the same as those experienced in any other business. The primary difference is the extended period of time (80 to 120 years) to develop a quality timber product compared to a work in progress time frame of usually less than a year for most other businesses. Another aspect is that work in progress and inventory is not taxed until a profit is generated at the time of sale. A tree farmer, which usually involves several generations, must pay real estate taxes and other expenses for decades prior to a timber harvest. This need for cash flow over the long growing period has resulted in many land owners being forced to subdivide and sell portions of their land holdings and worse yet resort to cutting the best first (i.e. high grade timber stand) that unfortunately takes place more often than not on a premature basis. As a result of this practice which usually removes the seed source needed for regeneration of quality hardwood stands with significant potential have been converted into non functional wood lots with new growth consisting of trees of little or no value such as beech and striped maple.

The land which my wife and I currently own has been high graded by a former owner. The forest stewardship process to reverse the negative direction of the timber stand will take decades to successfully accomplish which are the goal of my wife and I as well as that of my son who is also actively engaged in the process.

When the property was purchased it included restrictive easements which permits timber harvesting but limits the number of homes to be built to two on the total acreage as well as prohibiting the operation of any stone quarries. Initially we asked the Wayne County Tax Review Board for relief in view of the easements at which time we received a negligible adjustment in taxes. The assessment of the land was either equal to or greater than those of similar surrounding properties with no easements at all. The chief assessor stated at the appeal meeting that "land with easements had more value than similar properties without easements." If this premise is true then why is financial compensation always given to a landowner who accepts these easements on his or her property?

The end result of this unsuccessful tax appeal process was to place the entire acreage in Clean and Green (Act 319). This program, which was helpful financially, does not address the long term concerns of a tree farmer and may be changed by local authorities

without concern for the tree growing process. I firmly believe that a yield tax (a percentage of sales for taxation) on trees actually sold with an offset to regressive annual real estate taxes on wood lots would be a more fair and equitable method. An additional area of Act 319 to examine is creating a tax differential between a ten acre residential lot which happens to also be growing timber as compared to larger wood lots with timber production as a primary purpose. This would not only be of much needed help in the development of salable timber stands and the retention of larger tracts of property but also filter down to have a positive effect on the overall timber/wood processing industry which represents the fourth largest source of employment in our fine state.

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