

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1422

To amend the Internal Revenue Code of 1986 to deny any deduction for expenses in connection with the cutting of old-growth redwood timber and certain other redwood timber and to impose an excise tax on the cutting of such timber.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1993

Mr. STARK introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to deny any deduction for expenses in connection with the cutting of old-growth redwood timber and certain other redwood timber and to impose an excise tax on the cutting of such timber.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DENIAL OF DEDUCTION FOR EXPENSES IN**  
4 **CONNECTION WITH CUTTING OF CERTAIN**  
5 **REDWOOD TIMBER.**

6 (a) GENERAL RULE.—Part IX of subchapter B of  
7 chapter 1 of the Internal Revenue Code of 1986 (relating

1 to certain items not deductible) is amended by adding at  
2 the end thereof the following new section:

3 **“SEC. 280I. EXPENSES IN CONNECTION WITH CUTTING OF**  
4 **CERTAIN REDWOOD TIMBER.**

5 “(a) GENERAL RULE.—No deduction shall be allowed  
6 for any disqualified redwood timber expense.

7 “(b) DISQUALIFIED REDWOOD TIMBER EXPENSE.—  
8 For purposes of this section—

9 “(1) IN GENERAL.—The term ‘disqualified red-  
10 wood timber expense’ means any expense in connec-  
11 tion with—

12 “(A) the cutting of redwood timber if—

13 “(i) such timber is old-growth red-  
14 wood timber, or

15 “(ii) such timber is disqualified  
16 securitized redwood timber, or

17 “(B) the transportation of such timber in  
18 its unprocessed state.

19 “(2) TREATMENT OF DEPRECIATION AND DE-  
20 PLETION ALLOWANCES.—For purposes of paragraph  
21 (1), allowances under section 167 or 611 shall be  
22 treated as expenses.

23 “(c) OLD-GROWTH REDWOOD TIMBER.—For pur-  
24 poses of this section, the term ‘old-growth redwood timber’  
25 means any redwood timber on a tract on which at least

1 10 percent of the redwood trees are at least 150 years  
2 old.

3 “(d) DISQUALIFIED SECURITIZED REDWOOD TIM-  
4 BER.—For purposes of this section, the term ‘disqualified  
5 securitized redwood timber’ means any redwood timber if  
6 (under the terms of any disqualified debt obligation or any  
7 underlying arrangement)—

8 “(1) such timber is (directly or indirectly) part  
9 of the security for any disqualified debt obligation,  
10 or

11 “(2) proceeds from the sale of such timber are  
12 to be used (directly or indirectly) to make payments  
13 of interest or principal on any disqualified debt obli-  
14 gation.

15 “(e) DISQUALIFIED DEBT OBLIGATION.—For pur-  
16 poses of this section, the term ‘disqualified debt obligation’  
17 means any publicly offered debt obligation which is issued  
18 on or after March 12, 1993, if (under the terms of such  
19 obligation or any underlying arrangement)—

20 “(1) substantially all of the security for such  
21 obligation is (directly or indirectly) redwood timber,  
22 or

23 “(2) substantially all of the interest or principal  
24 payments on such obligation is to be derived (di-  
25 rectly or indirectly) from sales of redwood timber.”

1 (b) CLERICAL AMENDMENT.—The table of sections  
 2 for part IX of subchapter B of chapter 1 of such Code  
 3 is amended by adding at the end thereof the following new  
 4 item:

“Sec. 280I. Expenses in connection with cutting of certain red-  
 wood timber.”

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to expenses attributable to periods  
 7 after the date of the enactment of this Act.

8 **SEC. 2. EXCISE TAX ON CUTTING OF CERTAIN REDWOOD**  
 9 **TIMBER.**

10 (a) GENERAL RULE.—Chapter 36 of the Internal  
 11 Revenue Code of 1986 (relating to certain other excise  
 12 taxes) is amended by adding at the end thereof the follow-  
 13 ing new subchapter:

14 **“Subchapter G—Tax on Cutting of Certain**  
 15 **Redwood Timber**

“Sec. 4511. Imposition of tax.

16 **“SEC. 4511. IMPOSITION OF TAX.**

17 “(a) GENERAL RULE.—There is hereby imposed a  
 18 tax on the cutting of any taxable redwood timber equal  
 19 to 75 percent of the fair market value of such timber.

20 “(b) PERSON LIABLE FOR TAX.—The tax imposed  
 21 by subsection (a) shall be paid by the holder of the eco-  
 22 nomic interest with respect to the timber.

1       “(c) TAXABLE REDWOOD TIMBER.—For purposes of  
2 this section, the term ‘taxable redwood timber’ means—

3               “(1) any old-growth redwood timber (as defined  
4 in section 280I(c), and

5               “(2) any disqualified securitized redwood timber  
6 (as defined in section 280I(d)).”

7       (b) DENIAL OF DEDUCTION FOR TAX.—Paragraph  
8 (6) of section 275(a) of such Code is amended by inserting  
9 before the period at the end thereof the following: “or by  
10 subchapter G of chapter 36”.

11       (c) CLERICAL AMENDMENT.—The table of sub-  
12 chapters for chapter 36 of such Code is amended by add-  
13 ing at the end thereof the following new item:

                  “SUBCHAPTER G. Tax on cutting of certain redwood timber.”

14       (d) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply in the case of timber cut after the  
16 date of the enactment of this Act.

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