

HB 2379 -2, -3, -5 STAFF MEASURE SUMMARY

House Committee On Agriculture and Natural Resources

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Sub-Referral To: House Committee On Revenue

Meeting Dates: 3/2, 3/16

WHAT THE MEASURE DOES:

Imposes severance tax on timber owner at time of timber harvest from forestland other than small tract forestland. Imposes tax at rate of five percent of the value of timber at time of harvest. Excludes first 25,000 board feet of timber harvest annually by any taxpayer during each calendar year from total quantity of timber subject to tax. Establishes timber subject to severance tax is not taxable personal property.

Creates Emergency Wildfire Fund. Directs Department of Revenue, after withholding amounts equal to expenses incurred in collecting severance tax, to pay balance of revenue to State Treasurer for deposit in suspense account. Allocates suspense account balance as follows: 50 percent to Emergency Wildfire Fund; 25 percent to general fund of each county in proportion to total value of all timber harvested in all counties, to be used for purposes of wildfire emergency preparedness and public safety related to wildfires; 15 percent to State Forestry Department Account, appropriated to State Forester for administering Oregon Forest Practices Act and forest practices monitoring program; and 10 percent to Forest Research and Experiment Account, for forest research and experimentation and for Forest Research Laboratory.

Establishes that Emergency Wildfire Fund consists of all moneys transferred to fund, including but not limited to, moneys from suspense account, moneys appropriated or transferred to fund by the Legislative Assembly, amounts donated to fund, earnings received on moneys in fund, and other amounts deposited to fund from any source. Appropriates moneys in fund to State Forester for payment of emergency fire costs and severity resource costs. Defines "severity resource costs." Distributes unencumbered balance in fund exceeding \$125,000,000 at the end of any calendar quarter to counties in proportion to total value of all timber harvested in all counties, to be used for purposes of wildfire emergency preparedness and public safety related to wildfires.

Repeals forest products harvest tax. Abolishes Emergency Fire Cost Committee and Oregon Forest Land Protection Fund. Defines terms. Makes sections 1 to 5, amendments to statutes by sections 6 to 13, and repeal of statutes by section 14 of this Act operative on January 1, 2022. Transfers any moneys remaining in Oregon Forest Land Protection Fund on operative date that are unexpended, unobligated, and not subject to any conditions to Emergency Wildfire Fund. Establishes processes and requirements for administration of severance tax. Establishes that Act takes effect on the 91st day after the 2021 regular session adjourns sine die.

FISCAL: Impact statement issued

REVENUE: Impact statement issued

ISSUES DISCUSSED:

- Tax revenue contribution to counties
- Inclusion of harvest tax bill provisions
- Incremental cost burden to small timber owners
- Impacts of tax on forest industry employment

EFFECT OF AMENDMENT:

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-2 Makes technical corrections to the bill; specifies cost of protection for forest protection district; expands terms of State Forester's discretion of fund expenditure and requires State Forester to annually report to Emergency Board on funds and fire season.

-3 Replaces measure. Extends date to issue preliminary certificate for tax credit. Removes sunset date on reforestation tax credit, reforestation credit preliminary certificate, and annual reforestation credit cost limitation. Establishes that Act takes effect on the 91st day following adjournment sine die.

-5 Makes technical corrections to the bill. Changes "value" to "pond value" and defines "pond value" as the amount a mill pays for a log delivered to the mill location. Changes tax rate imposed on timber owner at the following rates multiplied by the pond value of timber at the time of harvest, regardless of whether forestland is contiguous: three percent for owners of 100 acres of forestland or less; four percent for owners of more than 100 acres but less than 640 acres of forestland; five percent for owners of more than 640 acres of forestland; and one percent less for each category of ownership if forestland management is certified by Forest Stewardship Council. Adds specification that first 25,000 board feet of timber harvested annually by taxpayer is excluded from tax regardless of species or variety of the trees and that taxpayer may select species and varieties of trees to be excluded. Specifies Department of Revenue as department incurring expenses in collecting tax. Changes distribution of funds from 50 percent to 40 percent for Emergency Wildfire Fund; from 25 percent to 30 percent for general fund of each county in proportion to total pond value of all timber harvested in all counties; from 15 percent to 10 percent for State Forestry Department; and from 10 percent to five percent for Forest Research and Experiment Account. Adds distribution of funds at 7.5 percent to each rural fire protection district with an annual budget less than \$50 million, in proportion that total acreage of forestland within district boundary bears to total acreage of forestland within all district boundaries; and 7.5 percent to Watershed Conservation Grant Fund.

BACKGROUND:

Oregon's forestland totals 29.7 million acres, including both government and privately-owned forestland. Growing and harvesting trees on both private and public forestland generates timber revenue. Property taxes are collected on the value of timber harvested from private forestland, and a severance tax is applied to the value of timber harvested on tracts within private ownership equal to or less than 5,000 acres (small tract forestland). Prior to 1929, the value of all private forestland and the value of standing timber on the land were subject to property taxation. In 1962, a severance tax was imposed on the value of timber harvested in Eastern Oregon, in lieu of a property tax on the value of the standing timber. In 1977, the same tax was imposed on timber harvested in Western Oregon. The severance tax was replaced with a privilege tax in 1991, which was phased out in 2003 with the creation of a new forestland valuation that applied to all forestland ownerships greater than 5,000 acres.

House Bill 2379 would impose a severance tax, at a rate of five percent of the value of timber when harvested, on a timber owner at the time that timber is harvested from forestland other than small tract forestland; create an Emergency Wildfire Fund; repeal forest products harvest taxes; and abolish both the Emergency Fire Cost Committee and the Oregon Forest Land Protection Fund.