



THE CUTTING

## Timber Tax Cuts Cost Oregon Towns Billions. Then Polluted Water Drove Up the Price.

Rural communities in Oregon paid millions of dollars for clean, safe drinking water because the state didn't protect their watersheds from logging-related contamination.

### “We Have Counties in Deep Trouble”: Oregon Lawmakers Seek to Reverse Timber Tax Cuts That Cost Communities Billions

For decades, corporate timber benefited from tax cuts that devastated local communities. Lawmakers want change and have filed dozens of bills, making this one of the most consequential sessions for forest policy.

by Rob Davis, The Oregonian/OregonLive, and Tony Schick, Oregon Public Broadcasting, Falls City, Ore., June 11, 2020 6 a.m.



Oregon State University researcher Chris Duvall next to a Douglas fir which burned in Oregon's September fires and was later cut down by the crew who created a safety island. (The Burns/OPB)



THE CUTTING

### Despite What the Logging Industry Says, Cutting Down Trees Isn't Stopping Catastrophic Wildfires

For decades, Oregon's timber industry has promoted the idea that private, logged lands are less prone to wildfires. The problem? Science doesn't support that.

### How We Analyzed Data From Oregon's Timber Industry

A data investigation by OPB, The Oregonian/OregonLive and ProPublica found that timber tax cuts have cost counties at least \$3 billion in the past three decades. Here's how we did our analysis.



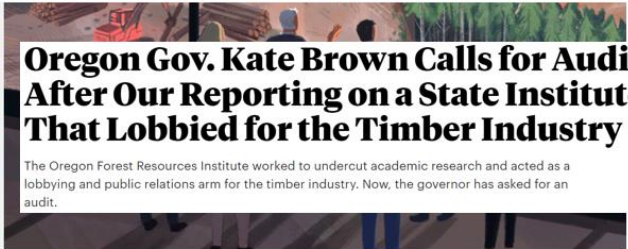
SCIENCE ENVIRONMENT

### Big money bought Oregon's forests. Small timber communities are paying the price.



By Tony Schick (OPB) and Rob Davis/The Oregonian and Lylla Younes/ProPublica (OPB)  
Falls City, Ore., June 11, 2020 6 a.m.

Wall Street investment funds took control of Oregon's private forests. Now, wealthy timber corporations reap the benefits of tax cuts that have cost rural counties billions.



### Oregon Gov. Kate Brown Calls for Audit After Our Reporting on a State Institute That Lobbied for the Timber Industry

The Oregon Forest Resources Institute worked to undercut academic research and acted as a lobbying and public relations arm for the timber industry. Now, the governor has asked for an audit.

SCIENCE & ENVIRONMENT

### How a public institute in Oregon became a de facto lobbying arm of the timber industry



By Rob Davis (The Oregonian/OregonLive) and Tony Schick (OPB)  
Aug. 4, 2020 6 a.m.

Internal emails show a tax-funded agency created to educate people about forestry has acted as a public-relations agency and lobbying arm for Oregon's timber industry, in some cases skirting legal constraints that forbid it from doing so.

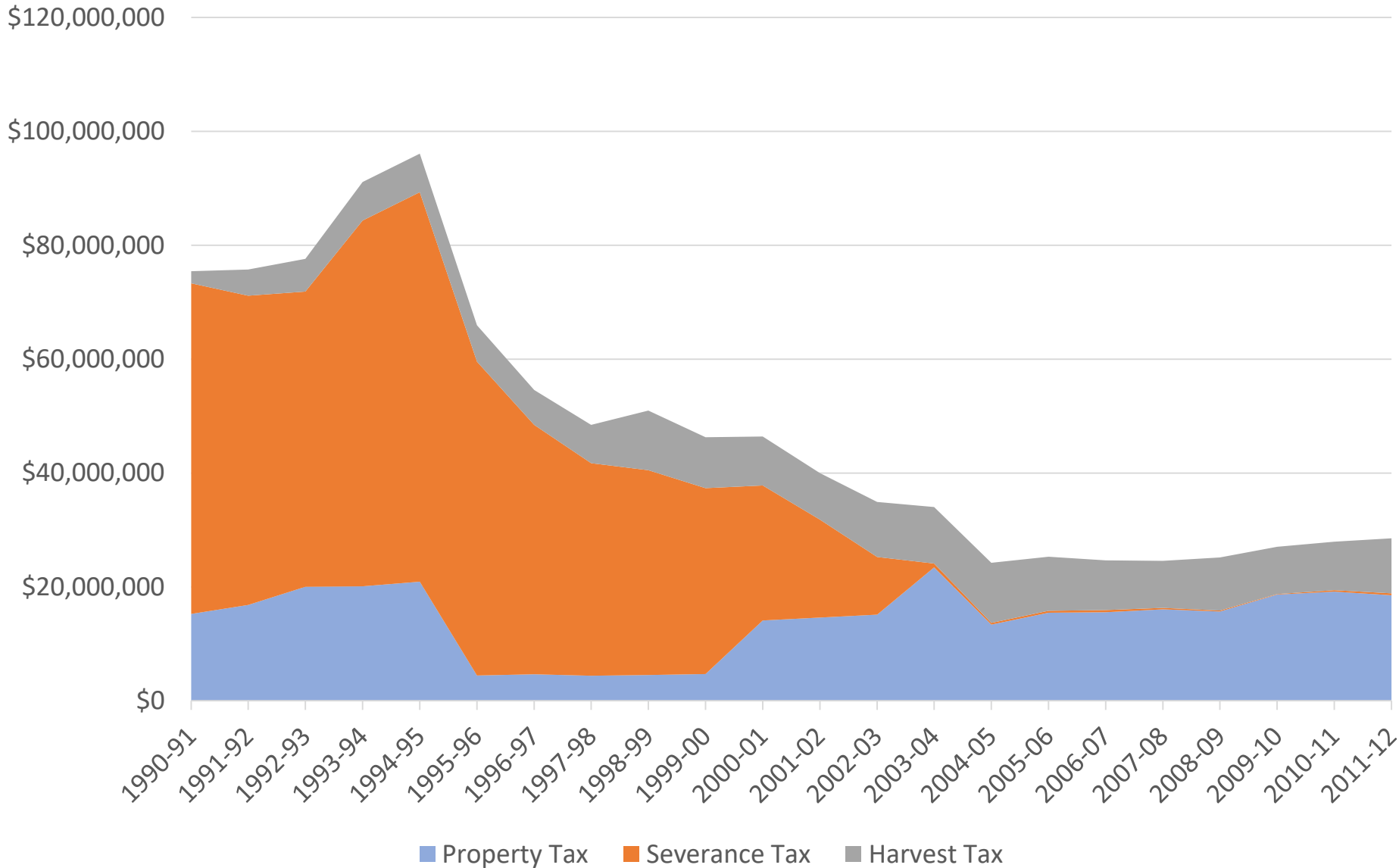
# HB 2379

## Representative

## Paul Holvey

## April 8, 2021

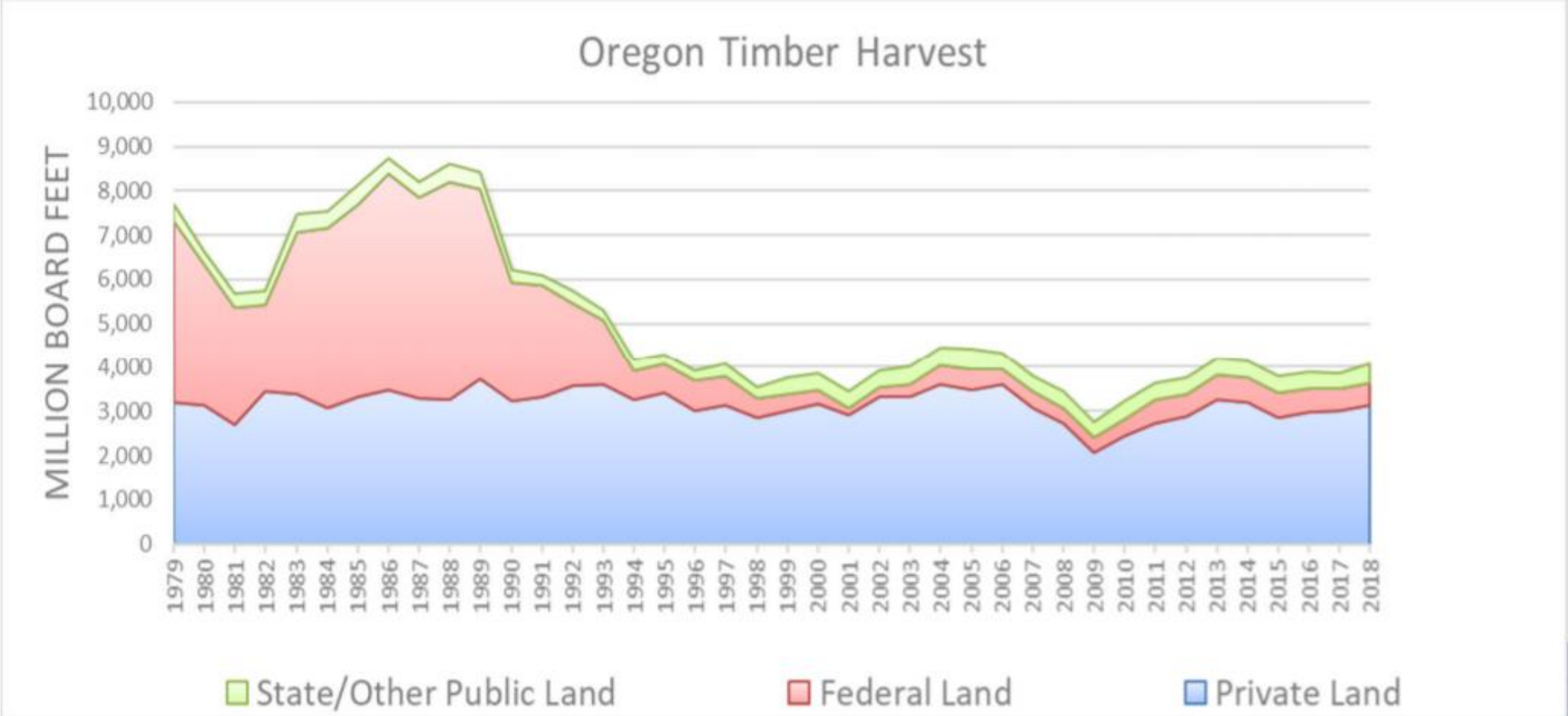
# Private Timber Tax Revenue 1990-2012



## Factors Impacting Timber Tax Revenue:

- **1997:** Passage of Measure 50
- **1999:** HB 3575 phased out of severance tax

# Oregon Timber Harvest



## Factors Impacting Timber Harvest levels:

- **1990:** Endangered Species Act
- **1994:** Northwest Forest Plan
- **2007-2009:** Economic recession

**Table 1: Historical Privilege Tax Rates Over Time**

	<b>Eastern Oregon</b>		<b>Western Oregon</b>	
<b>Period</b>	<b>Regular</b>	<b>Reforestation</b>	<b>Regular</b>	<b>Reforestation</b>
<b>Initial</b>	5.00%	12.50%	6.50%	12.50%
<b>1991-92</b>	4.35%	8.00%	5.85%	8.30%
<b>1992-93</b>	3.90%	7.20%	5.30%	7.50%
<b>1993 2<sup>nd</sup></b>	3.50%	6.40%	4.70%	6.60%
<b>1994</b>	3.30%	5.61%	4.40%	5.75%
<b>1995</b>	2.90%	4.78%	3.80%	4.82%
<b>1996-99</b>	1.80%	1.80%	3.20%	3.20%
<b>2000</b>	1.10%	-	1.90%	-
<b>2001</b>	1.10%	-	1.90%	-
<b>2002</b>	0.80%	-	1.40%	-
<b>2003</b>	0.00%	-	0.00%	-

FOREST PRODUCTS HARVEST TAX					
Year	OSU Research	Protection Fund	Forest Practices	OFRI	Other
1990-91	\$0.2100	\$0.300	\$0.1600	-	
1991-92	\$0.3000	\$0.500	\$0.5300	\$0.31	-
1992-93	\$0.3000	\$0.660	\$0.5300	\$0.31	-
1993**	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1994	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1995	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1996	\$0.5000	\$0.500	\$0.6000	\$0.51	-
1997	\$0.5000	\$0.500	\$0.6000	\$0.51	-
1998	\$0.5500	\$0.500	\$0.7000	\$0.51	\$1.75
1999	\$0.5500	\$0.500	\$0.7000	\$0.79	-
2000	\$0.6700	\$0.500	\$1.0800	\$0.79	\$0.15
2001	\$0.6700	-	\$1.0800	\$0.79	\$0.15
2002	\$0.6700	\$0.500	\$0.9100	\$0.79	-
2003	\$0.6700	\$0.500	\$0.9100	\$0.79	-
2004	\$0.6700	\$0.500	\$0.7900	\$0.99	-
2005	\$0.6700	\$0.500	\$0.7900	\$0.89	-
2006	\$0.6700	\$0.500	\$0.5500	\$0.89	-
2007	\$0.6700	\$0.500	\$0.5500	\$0.89	-
2008	\$0.9200	\$0.625	\$1.1456	\$0.89	-
2009	\$0.9200	\$0.625	\$1.1456	\$0.89	-
2010	\$0.9200	\$0.625	\$1.1400	\$0.89	-
2011	\$0.9200	\$0.625	\$1.1400	\$0.89	-
2012	\$0.8739	\$0.625	\$1.2952	\$0.89	-
2013	\$0.8739	\$0.625	\$1.2952	\$0.89	-
2014	\$0.8439	\$0.625	\$0.9727	\$0.89	-
2015	\$0.8439	\$0.625	\$0.9727	\$0.99	\$0.10
2016	\$0.9000	\$0.625	\$1.1037	\$1.00	\$0.10
2017	\$0.9000	\$0.625	\$1.5661	\$1.04	\$0.10
2018	\$0.9000	\$0.625	\$1.5700	\$1.04	\$0.10
2019	\$0.9000	\$0.625	\$1.3720	\$1.04	\$0.10
2020	\$0.9000	\$0.625	\$1.3872	\$1.12	\$0.10

Forest Products Harvest Tax  
Per MBF

# OR Department of Forestry (ODF)

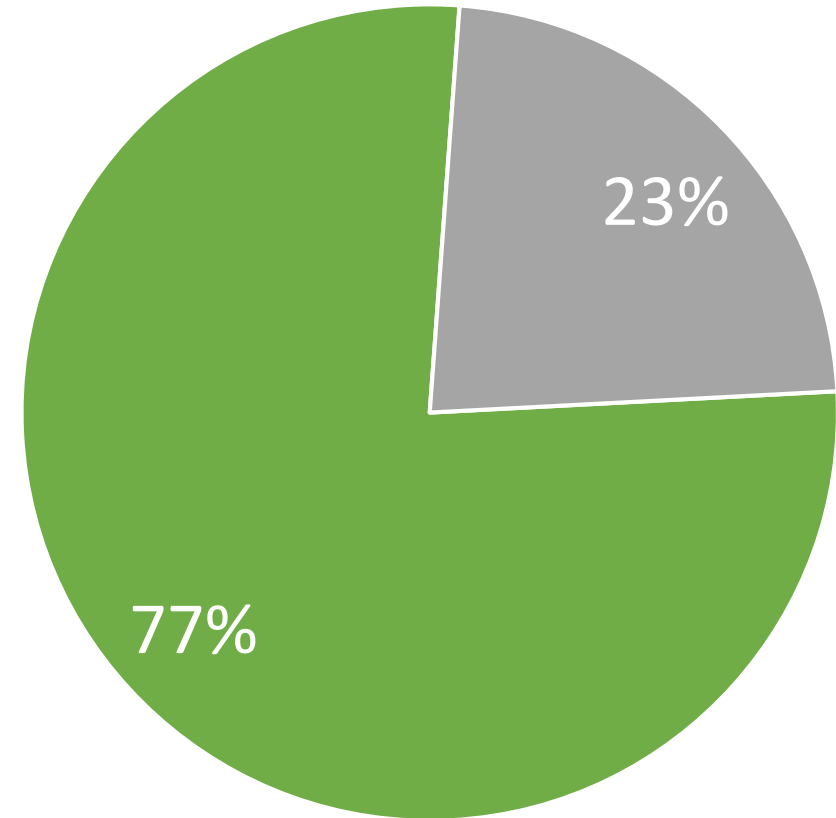
- Protects approximately 16 million out of Oregon's 30 million acres of forestland
- Cost associated with Base Fire Protection is allocated on a per-acre analysis
- Emergency fire costs are covered by:
  - General Fund
  - Other public funding
  - Federal funding
  - Insurance\*
  - Private landowners

\*Insurance only kicked in during the 2013 and 2014 fire season

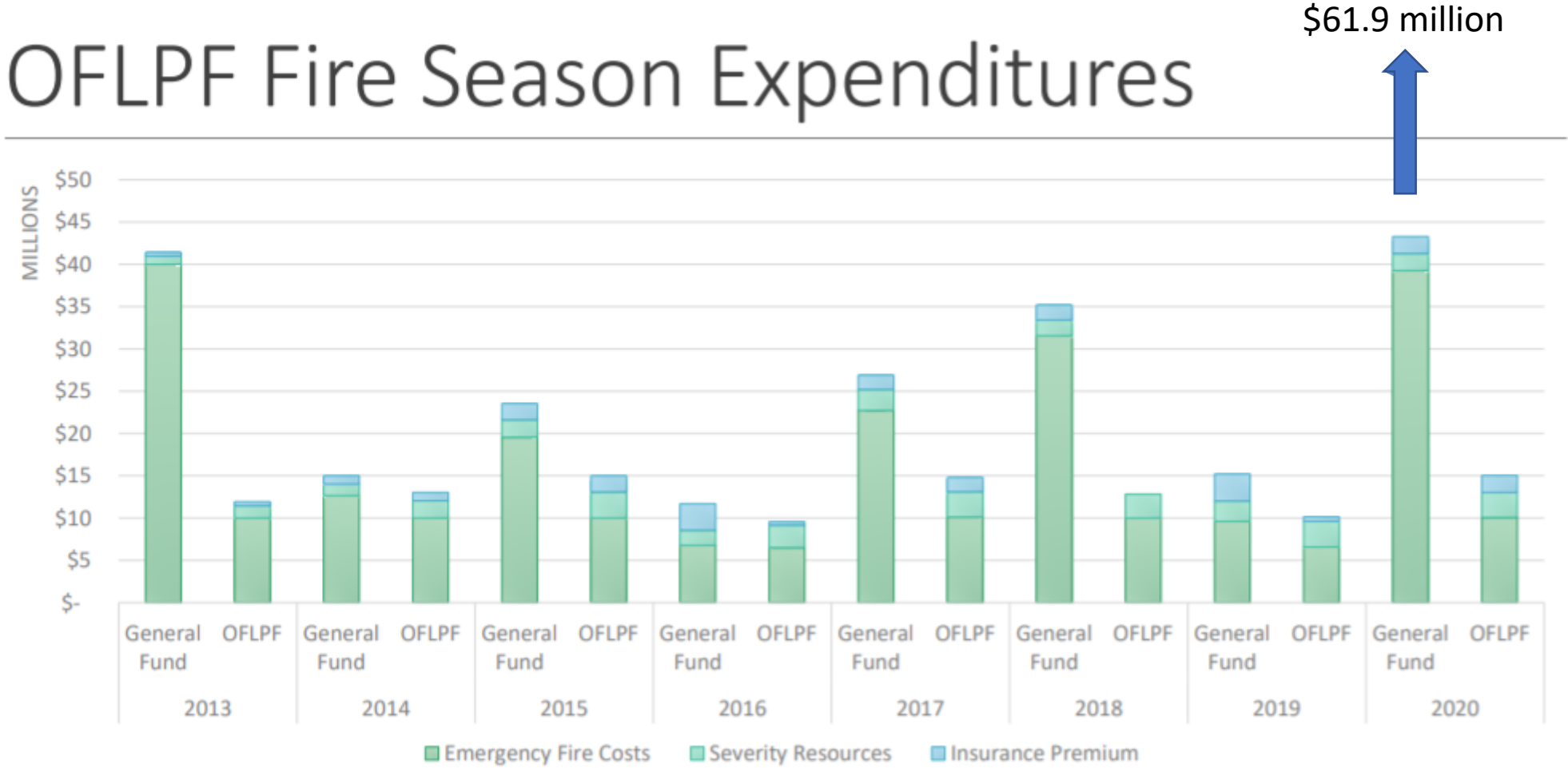
## Acres Protected by ODF

\*Based on Per-Acre Analysis

■ Private Acres ■ Public Acres



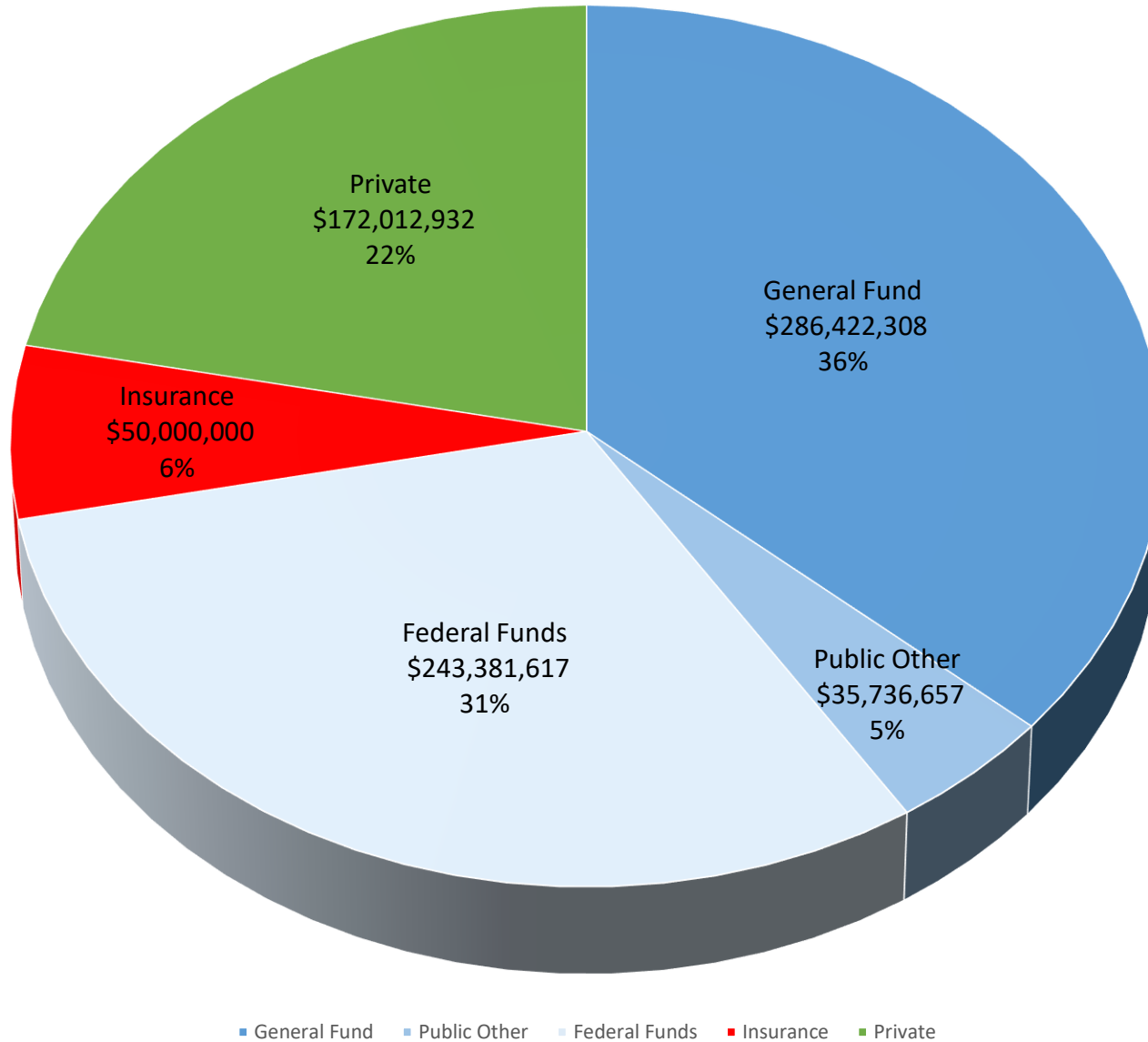
# OFLPF Fire Season Expenditures



\$61.9 million



# Total Fire Funding 2013-2018





2017-2018	Oregon	Washington
Taxes Upon Harvest		
Severance	\$ 1,460,616	\$ 38,662,000
Privilege	\$ 13,792,433	
Taxes on Unimproved Forestland		
	\$ 23,256,000	\$ 8,878,984
Acres of Unimproved Private Forestland		
	8,618,948	6,213,349
Annual Harvest		
MBF	4,064,315	2,578,473
Value Pond	\$ 3,090,226,870	\$ 1,459,395,938
Value Stumpage	\$ 2,480,579,620	\$ 1,072,624,988

2018-2019	Oregon	Washington
Taxes Upon Harvest		
Severance	\$ 1,240,368	\$ 47,262,000
Privilege	\$ 16,371,271	
Taxes on Unimproved Forestland		
	\$ 24,571,000	\$ 7,705,942
Acres of Unimproved Private Forestland		
	8,142,701	6,213,349
Annual Harvest		
MBF	3,541,291	2,347,696
Value Pond	\$ 2,244,412,951	\$ 1,348,890,930
Value Stumpage	\$ 1,713,219,346	\$ 996,736,530

Tax dollars per Acre	\$ 4.47	\$ 7.65
Tax dollars per MBF	\$ 9.47	\$ 18.44
Tax dollars per Pond value	\$ 0.012	\$ 0.033
Tax dollars Per Stumpage value	\$ 0.016	\$ 0.044

Tax dollars per Acre	\$ 5.18	\$ 8.85
Tax dollars per MBF	\$ 11.91	\$ 23.41
Tax dollars per Pond value	\$ 0.019	\$ 0.041
Tax dollars Per Stumpage value	\$ 0.025	\$ 0.055

# HB 4304 – Fire Cost Study

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- In August the Oregon legislature passed legislation to have an independent fire cost study which includes an advisory committee of stakeholders to examine the allocation of fire costs and who pays for those costs. HB 4304 - Sec 69 (pg-21 ).

# HB 2379 – Simplify our Timber Tax Structure, Fund Rural Counties, and Create a Robust Fire Management Fund

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- Replaces the harvest tax (ORS 321.015)
  - Eliminates funding for OFRI
- Implements a severance tax
- Creates the Wildfire Management Fund
- Repeals the Oregon Forest Land Protection Fund and associated revenues - ORS 477.750 - 477.777 creation and administration of the fund

# Establish a forest products severance tax based on value of timber harvested

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- For owners of 100 acres or less, a 2% severance tax
- For owners of over 100 acres and 640 acres or less, a 3% severance tax
- For owners of over 640 and 3840 acres or less, a 4% severance tax
- For owners of 3840 or more acres, a 5% severance tax
  
- Additionally for owners who also receive Forest Stewardship Certification, the tax rate will be reduced by 1% .
  
- For all owners there is an exemption from the severance tax for 25000 board feet of annual harvest.

# The newly proposed uses for the Severance Tax

- 40% to newly created Wildfire Management Fund for wildfire suppression, mitigation or prevention within the Department of Forestry;
  - 30% to individual counties proportional to their harvest volume for any general fund use;
  - 10% for the Forest Practices Act with the Department of Forestry;
  - 5% to HECC for Oregon State University Forestry Education and Research (to include outreach programs in coordination for K-12 schools on forestry education);
  - 7.5% to Rural Fire Protection Districts defined in ORS 478 with an annual budget of under \$50 million (proportional to acreage of forestlands) to be used for equipment, operations, and efforts to provide defensible spaces for structures in or adjacent to forestlands;
  - 7.5% to Watershed Enhancement Board for restoration and enhancement focusing on water quality and habitat conservation projects.
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- If the legislature does not expend the total percentages in those categories the money goes back into the Wildfire Management Fund, for described uses.
  - In addition, the Wildfire Management Fund has a cap of \$125,000,000 and I am proposing any moneys received above that amount will go to the counties proportional as described above.