

April 7, 2021

To: Rep. Nancy Nathanson, House Committee on Revenue, Chair
Rep. Khanh Pham
Rep. E. Werner Reschke
Rep. Bobby Levy
Rep. Pam Marsh
Rep. Greg Smith
Rep. Andrea Valderrama

From: Regan Fisher

Re: HB 2379 Timber Severance Tax – Support

My name is Regan Fisher, and I'm a resident of Multnomah County concerned about the effects of our current timber taxation policy on rural communities. I am testifying in support of HB 2379 because it is clear that now is the time to reinstate the severance tax. I also encourage amending HB 2379 to direct at least 40% of funds collected to county governments, and to allow an exemption for small woodland owners.

In the first two timber tax hearings on this bill in the House Committee on Agriculture and Natural Resources, Chair Witt noted that it is critical that lawmakers investigate the public policy consequences of Oregon's timber tax system and whether the system is fair and sustainable.

As the reporting by OPB and the *Oregonian* over the past several months has made clear, this current system is not fair and sustainable. Tax cuts for the timber industry have cost counties approximately \$3 billion over the past 30 years. That's a staggering amount of money that used to help fund schools, public libraries, sheriff's offices, and other services.

There are other factors at play that have led to a decrease in revenue for local governments in recent decades, including the passage of Measures 5 and 50 and changes to logging rules on federal land. Oregon's timber tax system and county revenue sources involve a complicated web of issues—if this were straightforward, we wouldn't need all these hearings. But despite these other factors, one thing is undeniable: the elimination of the severance tax has had a terrible impact on counties' ability to pay for services for their residents. And this is now within your control to fix.

I've heard arguments in previous hearings on this bill that reinstating the severance tax would be an unfair burden for timber companies to bear. But I don't consider companies paying taxes to be a "burden." Operating a business involves deriving benefits, or profits, as well as upholding obligations and fulfilling responsibilities. The opposition to this tax makes it sound like it's a cruel and unusual punishment. It's not. It's a standard, common practice for timber-producing states.

Further, one of the goals of reinstating this tax is to ensure that companies operating in our state are paying their fair share back into the communities in which they are extracting our natural resources. Much of the private industrial timberland in Oregon is owned by REITs and TIMOs,

which pay no corporate income taxes. Shareholders pay personal income taxes where they live, but that could be anywhere in the country or world, not necessarily in Oregon. The Oregon counties in which these REITs and TIMOs are working deserve revenue from this industry.

Another argument I've heard against the severance tax is that trees are a crop, and we don't make farmers pay the severance tax, so it shouldn't apply to timber companies either. It is disingenuous to refer to timber as a crop in the same vein as corn or wheat. These claims are similar to when the federal government's dietary guidelines counted pizza as a vegetable because it contains tomato sauce. Everyone knows that's ridiculous. It's twisting logic to make a point that fits somebody's agenda.

The harvesting of trees is drastically different from the harvesting of an apple or a strawberry, both in the amount of time a tree spends in the ground compared to an agricultural crop, and in the impact a tree and its removal has on its surrounding environment. Trees are not a crop—they are a natural resource. Trees are not like rows of corn growing in a stand-alone plot of land, and that you pluck and replant each year. Trees grow for decades and are inextricably tied to their ecosystem—they influence soil and water health, air quality, and slope stability. And their removal has an effect on these things—a detrimental effect. Logging operations involve extracting a natural resource out of the ground. This affects the entire ecosystem around the area where this natural resource, the tree, is located.

The whole point of a severance tax is for companies to compensate a state or local government for the privilege to undertake this natural resource extracting, and the money they pay should benefit the communities from which they're doing the taking. The communities where timber companies operate have a myriad of financial challenges as they pay for services for their residents. And as Oregon continues to face the challenge of preparing for and fighting wildfires, rural timber counties will face mounting financial burdens. Reinstating the severance tax is a fair, clear solution.

I encourage amendments to the bill that grant an exemption for small woodland owners who are managing their forests in a sustainable manner. The objective of reinstating this tax is to ensure that the large corporate entities (REITs and TIMOs) that are removing natural resources from Oregon pay their fair share to support the communities in which they operate.

Thank you for your consideration.

Regan Fisher