



Forest Web

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

Re: House Bill 2379 - Relating to forestry; prescribing an effective date; providing for revenue raising that requires approval by a three-fifths majority.

Dear Members of the Committee:

Writing on behalf of over 11,000 supporters, **Forest Web** is submitting the following comments on House Bill 2379 (HB2379).

HB2379 is a step in the right direction with the goal of achieving a higher level of self-sufficiency in the face of catastrophic wildfires, especially since Oregon may not always have access to fire insurance--a strong possibility given that the insurance coverage from Lloyd's of London is already at risk. The bill is well thought out in that it ties the tax to the market value rather than the volume of timber taken. It also takes a large step toward ensuring the large corporations in the timber industry are subject to paying taxes and providing revenue to the State of Oregon as everyone else must do.

However, there are elements of HB2379 that are of concern and need to be reviewed and revised. We address them as follows:

- We are concerned at the amount of 5% set for industrial timber companies in HB2379. Oregon's original Forest Fee and Yield tax was 12.5% and the Harvest Tax in the 1970s and 1980s was 6.5%. After last year's devastating fires, the demand on our diminished supply of lumber is soaring, and a 5% tax does not seem adequate given the value of timber in a world-wide market. Also, small timber-lot owners are already paying a 5% tax, and it is not equitable that large companies making much larger profits should not pay at a higher rate.
- Though HB2379 does not directly exclude taxing harvests on public lands, it also does not overtly include them. In Washington and California, harvest taxes apply to the money raised from logs harvested on public land. Also, in California and

Washington, for example, a logging company working on Forest Service land would not pay the yield tax, but the mill, as the agent who will receive the bulk of the profit, pays the tax. If HB2379 does not include timber taken from public land, it should. HB2379 needs to clearly state this tax is applicable to trees taken on our public lands. Are our citizens less entitled than those of California and Washington?

- The way HB2379 encourages afforestation is flawed, creating a potentially onerous and expensive process that does little to encourage people to grow trees on vacant land. Also, HB2379 does not give tax incentives for longer harvest rotations. Longer rotations decrease the frequency of logging's negative impacts such as soil compaction, soil erosion, siltation of creeks, rivers, and reservoirs, and the use of post-logging chemicals such as pesticides and herbicides that drift or wash to our farms and our waterways. A higher harvest tax on young stands which is progressively lowered as stands move toward 80-year, or even longer, rotations could go a long way toward mitigating these issues and improve the quality of life for Oregon's citizens. Also, giving incentives to practice long rotation forestry would reduce the risk of catastrophic fires as older forests are more resilient to fire than younger stands.
- Another concern we have involves taking Oregon Forest Resources Institute funds along with 10% of future severance tax and allocating them to Oregon State University's newly created Forest Research and Experiment Account with little oversight details as to how the fund is to be utilized and monitored.

HB2379 does address the need for the timber industry to pay its fair share as well as improve Oregon's ability to cope with future catastrophic fire seasons. Unfortunately, HB2379 needs serious revisions before Forest Web can recommend the passage of this bill.

Thank you for your time and consideration.

Sincerely,

Cristina M. Hubbard, Executive Director

Mary Grace Brogdon, Public Lands Director

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