

Written Testimony for the House Committee on Revenue

April 8, 2021 Informational Hearing on House Bill 2379

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On behalf of the Association of Oregon Counties (AOC), representing Oregon's 36 county governments and Special Districts Association of Oregon (SDAO) whose membership includes over 900 single service provider districts like rural fire protection, water, sewer and parks, we offer the following comments in opposition of House Bill 2379 and the -6 amendments.

HB 2379 and the -6 amendment imposes a severance on timber at the time it is harvested and then distributes the tax revenue to various entities, including counties and rural protection; however, it limits the distribution to counties to only 30 percent and 7.5 percent to rural fire protection districts.

The remaining 62.5 percent of the severance tax imposed on timber harvest from our rural communities is directed to the State Forestry Department Account, the Forest Research Experiment account, the Watershed Conservation Grant Fund, and an Emergency Wildfire Fund established under the measure.

Historically, Oregon's timber severance tax was directed 100% to counties and local taxing districts where the timber was harvested. The severance tax was conceived as a form of a property tax, initiated as a tax in lieu of an ad valorem tax on standing timber, and was distributed only to local governments during the time it was in effect. Property taxes are reserved for funding local governments and any reinstatement of a severance tax should be restricted to funding the same local governments that would have received ad valorem property taxes from the area in which the harvest took place. Additionally, any severance tax being considered by this body should reflect that Western Oregon timber and Eastern Oregon timber are different.

While counties and local governments rely on every property tax dollar to provide vital services as efficiently as possible to the citizens of Oregon and acknowledge the value in preparing for future wildfire events, our members recognize the need to balance revenue sources with supporting and creating a sustainable tax system that creates thriving local economies. Oregon's rural economies have been hit hard over the past year with hospitality and tourism industries being shut-down due to public health and safety measures related to Covid-19. As a result, the last thing our local governments need is for the state legislature to pass any new taxes on an industry that can continue to operate and provide much needed family wage jobs with benefits to their residents during these difficult economic times. Specifically, Oregon's timber industry is already preparing for and adjusting to new costs and regulations including Oregon's new gross receipts tax, new regulations that may come out if the discussions surrounding the timber MOU and the pending set aside of approximately 50% of western Oregon forestlands to riparian conservation areas and habitat conservation areas resulting from Oregon Department of Forestry's work on a Habitat Conservation plan.

AOC and SDAO feel strongly that any reinstatement of the timber severance tax in Oregon must be thoughtfully done with counties, local governments, and industry at the table to develop the tax in a way that helps, not hurts, their communities. As such, the severance tax should not be reinstated during the 2021 legislative session.

Thank you.