



HB 2379: We support Reinstating an Oregon Severance Tax

Testimony for the House Revenue Committee – Jody Wisner – April 8, 2021

There are many elements of HB 2379 which deserve your vote. It reinstates a severance tax on timber that has been missing for nearly 20 years, and does so based on value, and at a rate competitive with that of our neighbor to the north which has forestland most similar to our own. It does so while also addressing a number of other timber tax issues that have been vexing for some time, and it consolidates the reinstated tax with the Harvest Tax.

When legislators ended this tax, they removed a significant source of funding for counties and they deserve to have that revenue back.

But the State has also lost timber revenue. Because so much of the industry is now organized in structures to avoid corporate income tax, including REITs, TIMOs and pass-throughs, and because many owners don't live in Oregon, we're no longer receiving either corporate income tax or personal income taxes on most of the profits from this industry. The State needs that missing revenue.

This bill, therefore, would use the revenue generated by reinstating a robust Oregon Severance Tax to address local needs, state needs, and services funded by our current Harvest Tax.

I can't emphasize enough the significance of taxing based on value rather than board feet. Obviously, harvests that produce prime Western Red Cedar or Douglas Fir lumber should pay more than harvests of low-value black cottonwood.¹ Since we now receive little income tax based on industry profits, this is the only way left to make our tax system more equitable. It will also be more productive.

The bill's lower rates for smaller landowners recognize the economies of scale that are a reality not only because they don't own harvesting equipment or the mills, but also because they seldom clearcut a swath of 120 acres at a time.

We are particularly pleased to see the rate reduction for forestland owners certified by the Forest Stewardship Council for exceptional care of their forestland. The standards for certification assure that with longer growing cycles, more wood will be produced in more diverse, natural forests, with far smaller clear cuts, fewer toxics, better protection of both soils and water and with more carbon sequestered.

The structure of the bill means that the artificial caps on the funding for the Forestland Protection Fund and the Forest Practices Act we discussed yesterday are removed along with the need to reset the rates every biennium as you currently must do under the Harvest Tax.

With HB 2379, 47.5% of the revenue goes to a wildfire management fund and to rural fire protection districts where needs for community preparedness for wildfire, equipment purchases and firefighting are addressed. Industry voices often point out that they pay more for firefighting than do forest landowners in our neighboring states. If you wanted to quiet those voices, you could send this 47.5% of the revenue to the General Fund where it would help cover the very same costs, just as the General Fund does now.

Thirty percent of the revenue would go directly to counties and another 7.5% would be available to address local watershed issues which is often needed after clearcutting by the industry.

Ten percent would go to the Oregon Department of Forestry and 5% to OSU. Thus, while OFRI is disbanded, money for its critical functions would still be provided. K-12 and small woodland owner education services would continue.

HB 2379 is a big step forward. We encourage you to give it thoughtful consideration. If you are unable to act this year, it is critically important that a taskforce continue to work on this issue in the interim.

Thank you so much for the opportunity to speak to you on this very important issue.

¹ In the June 30, 2020 timber tax value charts for Washington State those products were valued per thousand board feet, based on the area of the state where grown at: Western Redcedar \$885-\$899, Douglas Fir \$344-\$471 and Black Cottonwood \$15-\$29. These three are from their list of 14 species and product types harvested from forestland.

Rather than developing our own system, it might be prudent to simply mirror the severance tax laws and rules of Washington State. That would simplify setting up and managing the program for Oregon, and ease the filing of returns for the many forestland owners with property in both states.

We read the bills and follow the money