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"Voice of small family forest businesses since 1969"

April 8, 2021

The Honorable Nancy Nathanson, Chair
House Committee on Revenue
Oregon State Capitol
Salem, OR 97301

Subject: Timber Severance Tax - HB 2379 (**OPPOSE**)

Chair Nathanson and Members of the Committee,

Introduction

For the record, my name is Amanda Astor and I am representing Associated Oregon Loggers (AOL) today. AOL represents nearly 1000 small family forest businesses across the state who's more than 22,000 employees work hard, every day, to provide the renewable wood Americans use every day.

Thank you for the opportunity to share our professional forestry perspective and OPPOSITION to HB 2379. The provisions of this bill would wrongly harm small businesses and working families across Oregon.

Through pride and integrity, independent family forest businesses deliver quality forestry support services including hazard reduction, fire protection, forest restoration, reforestation, road construction, recreation access, material transportation, harvest operations, silviculture services, consultation, and other forest management activities. AOL's members are a critical link in the forest product supply chain.

Tax on Gross Revenue with No Regard for Costs

Regrettably, the timber severance tax proposed in HB 2379 -6 is based on volatile pond values rather than the predictable rates in the current forest products harvest tax which is multiplied by the volume harvested. This means that Oregonians would be taxed based on their gross revenue, not their net income and without any recognition of the costs to do sustainable and environmentally responsible forest management. AOL's members who move wood products from forests to market, complete this work on a contracted basis at rates with narrow margins. This proposed tax change would reduce the income available to the forest contractor associated with bringing this renewable commodity to market.

Down Stream Effects Disproportionately Harm Small Businesses

Small family forest businesses are in no-way immune to the adverse impacts of timber tax increases, and would be severely impacted by the timber severance tax proposed in HB 2379 -6. The proposed timber taxes would reduce the capital available for sustainable forest management. Small family forest businesses conduct nearly all Oregon forestland management, therefore a tax on any portion of the supply chain would translate into a tax on forest sector small businesses.

New timber taxes would impact the forest sector in four very tangible and negative ways:

1. Small business closures would occur under the weight of declining profits. Cumulative pressure upon the small family forest businesses would induce greater consolidation in the small business segments which would likely lead to larger forest contractors replacing small family-owned businesses.
2. New taxes on landowners lead to lower landowner investment in forest management activities that employ small family forest businesses.
3. Lower landowner income results in lower long-term investment in forest management by landowners resulting in:
 - a. lowered future forest productivity under less management,
 - b. higher losses to forest mortality from overcrowding, fires, storms and pests, and
 - c. greater land-use changes to non-forest uses.
4. New fire protection tax costs paid by landowners, would lead to less voluntary “first responders” in forest firefighting by family forest businesses and landowners—likely resulting in larger, more costly and impactful forest wildfires—a burden for all Oregonians.

The following unprecedented impacts also occurred on family forest small business during 2020 and warrant that today is the wrong time to further burden family business with added forestry encumbrances:

- A. COVID-19 labor and business restrictions, which reduced productivity, added uncompensated costs, diminished labor participation and causes business losses.
- B. COVID-19 impacted forest product markets, caused shutdowns, idling and added business losses.
- C. Labor shortages for skilled trades workers in forestry, transportation, forest construction, manufacturing—all worsened by the COVID-19 chaos—and compounded business losses.
- D. The cold, snowy and wet winter of 2020-21 has slowed forestry field operations and added business losses.
- E. Wildfire shutdowns idled forest operations statewide for weeks, dictating that small businesses endure unprecedented and unprofitable absence of daily production for one to four weeks.
- F. Forest contractors who protect their communities as voluntary wildfire “first responders” are often uncompensated for their emergency response “initial attack” which has added to small business losses.
- G. Wildfire direct loss—mostly uninsurable—of \$100 million to Oregon forest contractor small business have resulted in capital losses to small business due to burned equipment, destroyed processed timber, idling, remobilization, replacement premium pricing, labor exodus and capital deficits.
- H. The newly-enacted CAT on gross receipts forces these unprofitable small businesses in 2020 were forced to borrow money to pay this new tax obligation—which added to their business losses.

Many in our forestry family say 2020 induced generational changes to the forest sector. Capping a year that will have lingering fiscal shock on Oregon’s small family forest business—the Legislature now proposes to pile-on with additional tax and regulatory disruption to family businesses. Our opposition to this bill is clear.

Forest Restoration and Fire Resiliency will be Harder to Tackle

Please remember too that this tax is assessed on wood from all ownerships. Making it more costly to do this work will only make it less economically viable to achieve the recommendations of the Governor’s

Wildfire Council, address fire resiliency, tackle community safety and defensible space needs and get cost prohibitive work in Eastern Oregon accomplished. Does this Committee really want to make it more costly to achieve this work across all ownerships, including federal lands, in Oregon?

Misrepresentation of Certification Systems and Operational Practices

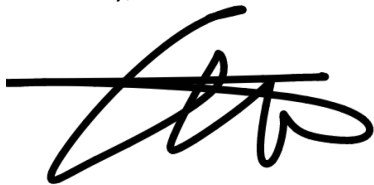
AOL is additionally concerned about the political decision to identify just one of the three forest certification systems. The Forest Practices Act sets the management and operations requirements in Oregon which are vetted and adopted by the Board of Forestry. The Tree Farm, Forest Stewardship Council (FSC) and Sustainable Forestry Initiative certification systems are all third-party systems that go above and beyond the Forest Practices Act. During operations, AOL’s members do not treat certified lands, nor ownerships, differently. Our members do the best job they can no matter where they are respect and our quality of work is our bond. When challenges arise, they adapt to get the job done. From an operator’s perspective, all lands are treated with respect. So, it is curious why the amendment only identifies the FSC certification for a tax reduction. We see this as a bias against the other certification systems completely ignoring Oregon’s existing rigorous forest management laws.

Conclusion

In closing, it is impossible to separate small business and large business in the forest sector. HB 2379 would disproportionately impact small business and working families. This bill has been hastily drafted, with unbalanced input from stakeholders disregarding those that would be most severely impacted. The change to a gross revenue tax, with no recognition of fixed costs and long-term investments is troubling. AOL is extremely worried about how this bill would affect small businesses’ ability to grow and harvest renewable forest products. We believe this is a tax change based on cherry picked rather than comprehensive taxing research.

Thank you for the opportunity to testify in opposition on HB 2379 and I am available for any questions.

Graciously,



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