

Testimony to the Oregon House Committee on Revenue

HB 2379 – April 8, 2021

Chair Nathanson and committee members. My name is Woody Richen, Vice President and stockholder of Richen Tree Farms, a family business owning 450 acres of forestland in Columbia County and an Oregon Corporation. I want to explain my opposition to HB 2379.

- Sales Tax.
 - Even though it is called a severance tax, HB 2379 imposes a sales tax when timber is sold to mills to make wood products. According to Investopedia “A Severance tax is a state tax imposed on the extraction of non-renewable natural resources...” When this region was first logged over 100 years ago, many may have thought that timber was a non-renewable resource, but not today. Any timber harvested today is a renewable resource. Indeed, it is a crop although a crop with a 35-to-50-year rotation. Richen Tree Farms has harvested 109 truckloads in the last five years, and all but 2 of the loads consisted of trees between 35 and 40 years old. I personally tended many of these trees as seedlings. Every parcel of the 25 acres harvested in that time has been replanted and will produce another crop for my kids or grandkids. Trees are renewable and HB 2379 is proposing a sales tax, not a severance tax.
- Equity
 - I do not oppose taxes. Services provided by governments are important, and I have supported many taxes over the years. But to be a durable source of revenue over time, a tax must be fair. The tax proposed by HB 2379 fails the fairness test. Is any other agricultural product required to pay a tax on the value of the commodity harvested? Perhaps marijuana but not nursery stock or grass seed. Is there a sound policy reason to single out timber? If the legislature thinks it is the time to pivot away from income taxes toward a sales tax on commodities, please consider that for all agricultural commodities.
- Incentives
 - Nearly 50% of Oregon is in forestland. About one third is in private hands, and a third of that or 3.6 million acres, is owned by small woodland owners like Richen Tree Farms as opposed to large industrial companies. We own 450 acres of which 390 are productive for growing timber. The remaining 60 are in wetlands, streams, riparian buffers and roads. Most small woodland owners like us believe there is value to the community and to the state in maintaining healthy forestlands, and we go beyond what is required by law in being good stewards of the land. We make a modest profit most years when we harvest, and we generally have a small harvest every second year. Much of our property is surrounded by rural housing and these folks like having forestland as a neighbor. To keep our property in forestland, it must support itself financially. Each additional tax makes that more difficult to do.

- Finances
 - What is a fair return for incurring the risks and managing the land to grow timber? Here is the current situation for this landowner. Consider the 109 loads taken off the 25 acres mentioned above. On average:

• Amount per Truckload	Description of Amount
\$2,700	Received from the mill for the load
\$1,400	Paid to logger and trucker for harvest and delivery
\$202	Paid for seedlings, preparation of ground for planting and tree planting. Does not include labor for trees planted by family members
\$176	Cost of consultation with professional foresters to insure that best practices are followed
\$24	Our cost of the trees at the time the forest was purchased
\$88	Cost of maintaining the roads used.
\$93	Direct taxes (to county and state)
\$34	Insurance for general liability and firefighting cost.
\$45	Income taxes paid by family owners on the business profits
\$638	Remaining margin available to invest in business, to run the business, and to provide a return to owners for their work and risk

While the details of the tax calculation are not clear, it is clear from the table above that 5% of the value harvested is a significant erosion of that margin!

- Transparency-Why is elimination of OFRI buried in the fine print?
 - Though not in the summary of HB 2379 nor in the bolded sections 1-5 describing how a “Severance Tax for Emergency Wildfire Funding” works, concealed in the conforming amendments is a provision in sections 14 and 15 eliminating our Commodity Commission, the Oregon Forest Resources Institute. (ORS 321.017 repealed) Surely this is an important enough issue to debate in the open.

Thank you for your attention and consideration.