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Chair Nathanson and Members of the Committee:

I am submitting this testimony on behalf of the Oregon Chapter Sierra Club. Oregon stands at a crossroads. State legislators have an incredible chance to establish a comprehensive timber tax framework that has not existed for almost three decades. An ideal new severance tax would allow Oregon to address serious issues in the way the industrial timber industry has avoided taxes at the expense of local communities.

A significant portion of private industrial forestland in Oregon has shifted in ownership to REITs (Real Estate Investment Trusts) and TIMOs (Timber Investment Management Organizations) that dominate private forestland and pay no corporate income tax. This, along with property tax limitations, has cost rural logging counties desperately needed tax income, with crippling impacts to local public services. The state of Oregon, meanwhile, has lost billions in timber income taxes. Simply put, industrial timber giants have silently and without controversy been allowed to avoid paying their fair share for decades. It is time to rectify this. With the rise in wildfire fighting costs showing no sign of abating, and rural communities suffering, it is clear – and right – that both counties and the state should benefit from tax revenue from this industry.

However, there remain several essential ways in which HB2379 should be improved.

- 1) Firstly, we must note that a severance tax should not be applied to all harvested timber indiscriminately. A fair timber tax framework should recognize that small forestland owners cannot access the same deals on harvest costs or prices when selling their trees at mills. Small forest owners operate within very narrow financial margins as things are, and should not be driven to develop their lands or convert to agriculture by a broad-based and unmethodical tax that is not carefully applied. Amendment 6 would move this bill in the right direction, as we plainly should not charge small forestland owners at the same rates as industrial forestland owners.
- 2) Next, HB2379's tax framework currently fails to provide appropriate tax incentives for forestland owners whose forests meet environmental and ecological standards. It is imperative to encourage owners to leave trees in the ground for as long as possible and employ timber practices that protect water and wildlife. Cutting timber on significantly longer growth cycles improves biodiversity and long-term carbon sequestration, and creates more productive forests and cleaner and more abundant watersheds. Within the context of climate change, the definitive issue of our age, these incentives are of the

utmost importance. Private timberland owners should be allowed to benefit from robust incentives for forests that are:

- Protected by conservation easements or other legally binding agreements under state law that ensure long term increases in forest carbon storage;
- Managed in accordance with standards for creating forestry carbon offsets (under ORS 526.780 (4));
- Subject to a Wildlife Habitat Conservation and Management plan (under ORS 308A.403 to 308A.430);
- Enrolled in the Conservation Stewardship Program, or the USDA Environmental Quality Incentives Program;
- Enrolled in the Forest Stewardship Program, or the US Forest Legacy Program, or;
- Certified by the Forest Stewardship Council.

3) Lastly, the distribution of tax revenue from HB2379 needs to be adjusted. The severance taxes that were phased out in Oregon beginning in the mid 90s were supposed to be replaced by increased property taxes. However, this strategy was nullified by property taxes being capped by Measure 5 and Measure 50. As currently written, rural counties' general funds stand to receive only 25% of the revenue gained from this bill. While Amendment 6 would increase this to 30%, considering that most of the timber affected is harvested within these lands and the counties' public services are in serious need of investment, rural counties deserve more. The Oregon Chapter Sierra Club supports 60% of the revenue from receipts going to the general funds of rural counties in order not only to fight wildfire, but to improve badly flagging public services.

In addition, we support a tax based on the actual cubic volume of timber at the time of harvest, not on volume measured by the Scribner Scale.

It's worth noting that it is small forestland owners who are currently most likely to qualify for environmental stewardship incentives as things are. When combined with the measures outlined in the first point, we can ensure a comprehensive timber tax framework that brings in revenue from industrial timber giants, rejuvenates rural public services, helps Oregon shoulder wildfire costs, and champions forest science and environmental responsibility without unduly punishing small forestland owners.

Thank you for your consideration of this testimony.

Sincerely,

Carol Valentine  
Chair, Forest Issues Committee  
Oregon Chapter Sierra Club