



HB 2070: Setting Harvest Tax Rates

Testimony for the House Revenue Committee – Jody Wisner – 6.2.2021

My name is Jody Wisner, and I am pleased to be here today as a volunteer for Tax Fairness Oregon, a network of volunteers who support a rational and equitable tax code.

For decades, every two years, legislators have been required to vote on the tax rates for the Harvest Tax. Why you must attend to these rates every biennium, when you are not required to reset our personal or corporate income, gas, beer, wine, or marijuana tax rates every biennium is a mystery. We believe that you should set the tax rates, not decades-old formulas. Were the rates based on value rather than volume, they would not need to be indexed. But since they are based on the number of board feet cut, they should be indexed for inflation each year. Each amendment to HB 2070 does this in a different way. We prefer the Nathanson amendment.

Because of the current artificial caps on several of the funds, those rates are always constricted so that they require a trip to Ways & Means to assure that the Harvest Tax doesn't collect too much. This is nonsense. We believe you should remove the caps because they have no particular logic and only complicate processes.

This chart shows the rates since 2010¹.

| Year | OSU Research | Protection Fund | Forest Practices Act | OFRI | OSU Education |
|------|--------------|-----------------|----------------------|--------|---------------|
| 2010 | \$0.9200 | \$0.625 | \$1.1400 | \$0.89 | - |
| 2012 | \$0.8739 | \$0.625 | \$1.2952 | \$0.89 | - |
| 2014 | \$0.8439 | \$0.625 | \$0.9727 | \$0.89 | |
| 2016 | \$0.9000 | \$0.625 | \$1.1037 | \$1.00 | \$0.10 |
| 2018 | \$0.9000 | \$0.625 | \$1.5700 | \$1.04 | \$0.10 |
| 2020 | \$0.9000 | \$0.625 | \$1.3872 | \$1.12 | \$0.10 |

Obviously, the costs of delivering services have gone up, as has the value of timber (with some downturns) over the same period as seen in this data taken from LRO's February 18th, 2021 presentation for House Agriculture and Natural Resources:

| Price /thousand board feet | | |
|----------------------------|-------------|-------------|
| Year | Avg East Or | Avg West Or |
| 2010 | \$ 310.94 | \$ 443.81 |
| 2011 | \$ 353.44 | \$ 512.99 |
| 2012 | \$ 351.88 | \$ 529.13 |
| 2013 | \$ 401.88 | \$ 623.45 |
| 2014 | \$ 429.38 | \$ 657.04 |
| 2015 | \$ 419.69 | \$ 591.53 |
| 2016 | \$ 425.94 | \$ 631.58 |
| 2017 | \$ 488.47 | \$ 730.67 |
| 2018 | \$ 495.88 | \$ 787.91 |
| 2019 | \$ 414.25 | \$ 656.38 |



It seems logical that the revenue from this tax should increase at least with inflation. Since the tax is based on board feet harvested, without an inflation adjustor, revenue stays relatively static while costs go up.

In our last testimony we made several recommendations, and Nathanson's amendment accomplishes these three:

- Removes the provisions requiring the Legislature to reset these rates every two years,
- Increases the rates by inflation going forward, and
- Removes the cap that says the Harvest Tax will provide no more than 40% of the funding for the Forest Practices Act.

These changes will remove from your agendas setting the rates for a tax that collects only about \$15 million a year and will allow legislators to focus on more important work.

HB 2070 doesn't resolve the OFRI issue, or return to Oregon the significant severance tax on timber that was phased out beginning in the early 90's and has gone missing entirely since 2003, but those are issues for other bills. Please, support this one with the Nathanson amendment.

¹*LRO Research Report #1-20* is the source for our chart on Forest Practice Harvest Tax rates. It has a longer historic view.

Since 1991, when the severance tax started phasing out while the Harvest Tax was retained:

- OSU research funding has tripled,
- The Forest Land Protection Fund (fire fund) is up only 25%,
- ODF's Forest Practices Act funding is up two and a half times, and
- OFRI funding is almost three and a half times more.

While there have been other items funded and stopped over the years, these have persisted.

We read the bills and follow the money