

To: Chair Brad Witt
Vice Chairs Vikki Breese-Iverson and Zach Hudson
Members of the House Committee on Agriculture and Natural Resources

From: Jane Stackhouse, Portland, Oregon

Date: February 25, 2021

RE: Severance Tax Bills

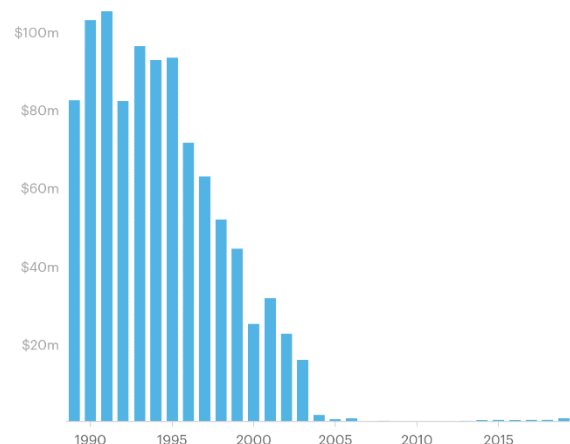
- [HB 2070](#) Extends privilege taxes on merchantable forest products harvested on forestlands.
- [HB 2430](#) Extends privilege taxes on merchantable forest products harvested on forestlands.
- [HB 2389](#) Makes taxes levied upon taxpayers for privilege of harvesting merchantable forest products harvested on forestlands permanent.
- [HB 2379](#) Imposes severance tax on owner of timber at time of harvest at five percent of value of timber.

Chair Witt, Vice-chairs Breese-Iverson and Hudson and members of the Committee. I have been listening intently to the discussion around the reinstatement of the timber severance tax. Although I cannot, be for or against any specific bill I would like to share my viewpoint.

My interest began some years ago with reports that some counties do not have a fully staffed Sheriff's office or other services we usually consider essential. Rural Oregonians are a self-reliant group of individuals willing to live their day to day lives under these underfunded and sometimes dangerous circumstances. It does not need to be like this if the big rural industrialists would pay their fair share. I read several articles on the topic and it seems clear to me that rural Oregon counties are being exploited by the investor-owned timber industry with the help of a changes to Oregon tax laws in the 1990's.

According to Rob Davis reporting in the Oregonian June 11, 2020, '[Big Money Bought the Forests](#)' even former Representative Lane Shetterly and then Governor Kitzhaber do not remember the details of how and why ending the severance tax on industrial timber seemed like a good idea at the time. (The Governor initially vetoed the bill.)

Even a supporter of eliminating the severance tax, Linc Cannon, former director of taxation for the Oregon Forest & Industries Council told Rob Davis that counties didn't lose as much money



because they *simply shifted the tax burden to residents and small businesses*. Is that fair even as the number of timber jobs has decreased?

I think not. Industrial timber has continued to make huge profits without paying their fair share of taxes. Although they are liable for property tax, they pay a substantially lower rate because the land is deemed forest. And yes, they pay a harvest tax but it is substantially less than when they paid a severance tax. They are liable for corporate income taxes although it appears that many of the largest companies do not actually pay that tax due to their conversion to Real Estate Investment Trusts (REITs) that [are not liable for income tax](#) on their profits.

Timber jobs have [decreased over the years](#) due to mechanization and changes in forest management to protect endangered species habitat and water sheds. Timber used to be king in Oregon until we realized that the industry was pulling valuable resources in an unsustainable manner – logging more that could be regrown. Now they are required to replant and want to call trees a ‘crop’ with 40 years from planting to harvest. Many in the logging profession still support the big corporations because they have always worked on Weyerhaeuser, Hampton, or Stimpson lands and don’t see a future for logging without the big corporate players. Oregon’s small timber lot owners can show them an option and, just like we want to keep family farms, we should be supporting small timber owners (the only ones who still pay a severance tax).

I support maintenance of habitat and old growth trees on our State and National Forests (the ones that you and I own). If trees are a crop with a 40 year harvest season then our State and National Forests are like the prairie lands that likewise need to be protected. The analogy between timber and farm crops would be like to plowing up [protected prairie](#) for a year’s crop of corn. The difference is we can selectively cut trees from State and National lands.

I do not think that any one of these bills is the perfect severance tax proposal. I hope the Committee will continue to work to make a reasonable tax package for the timber industry. Clearly there are examples in Washington and California that have not driven the industry from those states. Years ago, the legislature gave the timber industry a big tax cut gift that has harmed rural counties. It is time for the big timber corporations to start paying their fair share. It is time to change the tax laws again to pay the citizens of Oregon for the use of land that grows trees for harvest and profit. It’s time for city folks like me to stand up for rural Oregon. I hope you will correct the actions of prior legislators who did not foresee the consequences we now face.