



## **HB 4055: For now, continuing the Harvest Tax is imperative**

Testimony for the House Revenue Committee – Jody Wiser – 1.1.20227

We hope you will pass this bill. Funding for the Oregon Department of Forestry's management of the Forest Practice Act is increased by 50% and funding for the OUS forestry departments is increased in both the original bill and in the amendment. It does seem that the amendment is shifting funding from research to the less clearly focused "professional forestry education at the College of Forestry." Meanwhile a new tax to raise \$2.5M per year and later \$5M per year for mitigation efforts follows the agreements made by the parties to the new Private Forest Accord. All of this is appropriate.

But of course, just keeping the Harvest Tax with the small upticks in HB 4055 is not a permanent fix. It is not enough. We must deal with an industry that is in large part avoiding both property taxes on trees and income taxes. We expect a real timber tax bill in the 2023 session and are anxious to work toward that end.

This bill does not address the \$3 billion the industry has avoided since the 6 ½% severance tax was dropped in a trade for an increase in property taxes that never happened. This loss of tax revenue was outlined by ProPublica, the Oregonian, and OPB. The loss will continue until this body re-institutes a robust severance tax that funds the needs of the state and local jurisdictions. A severance tax, ranging from 12 ½ to 6 ½ % of value was collected for decades. But industry convinced an earlier version of the legislature to abandon it 30 years ago. Only the small Harvest Tax in this bill remains.

In addition to the loss of the severance tax based on value, much of the industry re-organized its ownership as REITS, TIMOS or pass-through entities. This means that we have largely lost all corporate income taxes from Oregon's timber industry as well as the severance tax. And at the same time the state has assumed more and more of the cost of fighting fire on private forest land.

An industry that once helped support the state is now draining our General Fund rather than helping fill it.

But for this short session, we are pleased to see that HB 4055 addresses the increases needed to fulfill some of the requirements of the Private Forest Accord and keeps the industry paying at least this small tax rather than letting it lapse.

This year, pass HB4055. Next year, let's return to robust taxes on this industry.

***We read the bills and follow the money***