

February 14, 2022

Senator Lee Beyer, Chairman

Senate Committee On Finance and Revenue

Oregon State Capitol

Salem, Oregon

RE: Oppose Senate Bill 1502

Dear Chair Beyer and members of the Senate Committee On Finance and Revenue:

It saddens me to find legislation being considered which can destroy decades of planning for the use of forestry resources. In our family, as in many other Oregon small forestry owners, timber acreage was purchased (over 80 years ago in our family) and managed responsibly to be beneficial for future generations. While there is no guarantee that one's efforts will result in a harvest due to natural events such as fire, I can be somewhat certain that a calculated effort to destroy a precious commodity for many families by larger timber companies, environmental groups, and government was never imagined.

Senate Bill 1502 (and its companion Senate Bill 1501) have been rushed through the legislative process. This rush has resulted in a bill that needs more public review and amendments, yet we are told there will not be amendments due to the short time frame given to pass these bills, apparently set so Gov. Brown can sign them into law before she leaves office. Also, contrary to the narrative being pushed by the Authors of the Private Forest Accord (PFA) Senate Bills 1502 and 1501 are based upon, they did not have representation for all Forestry Owners in Oregon, nor do all the Forestry Owners in Oregon support the PFA. It appears the only way the Authors of the PFA were able to get unanimous support for the document they created was to exclude individuals or organizations from the authoring process who during past efforts to create the PFA opposed some or all the proposed provisions.

Following are a number of specific concerns for Senate Bill 1502, which proposes to compensate Small Forest Operators (SFOs) with Oregon Tax Credits (called Forest Conservation Credits (FCCs) in the PFA) for the timber they do not harvest when they choose to abide by Standard Practice Options used by large forest operators rather than alternative minimum rules defined in Chapter 5 of the Private Forest Accord.

1. Tax credits (FCCs) created by SB 1502 require income to be useful to the SFO. While the SB1502 allows for carry forward of tax credits received by an SFO for electing to use standard practices, it is very possible an SFO may never have enough income to fully utilize those credits.
2. SB 1502 does not pay interest for unused credits. It does, however, charge interest on the unpaid taxes if the SFO receives credits and then later decides to harvest the timber the credits were received for.
3. Along the same line of thought, while SB1502 provides for tax credits, it does not take into consideration the time value of money and opportunity cost for money not received by the SFO. Giving an SFO \$10,000 of tax credits for use is not the equivalent of them netting \$10,000 from the sale of

timer and putting that money in the bank or investing it where it will increase. Also, tax credits can't be used to pay for immediate needs like a down payment on a house, paying for education expenses and so on.

4. Allowing unused tax credits to be carried forward and used to offset estate taxes is only useful in Oregon if the value of the estate exceeds \$1,000,000.

5. A Deed restriction of 50 years to receive the tax credits is too long a period of time. Douglas Fir can be harvested in as little as 30 years from planting. The 50 year time frame appears to have been chosen to coincide with the duration of the Habitat Conservation Plan (HCP) SB1501 supports, however SFOs do not plan their timber harvests around the duration of an HCP. Also, stating the deed restriction against future harvest is irrevocable in Section 3(3)(a) of SB1502 would appear to be in conflict with Section 5 which addresses future harvest in a conservation area for which tax credits have been allowed under Section 2 of SB1502.

6. Oregon tax credits have limited use for SFOs who own timber land in, but do not reside in Oregon.

Chair Beyer and members of the Senate Committee on Finance and Revenue, for all of the above reasons, I urge you to NOT support SB1502, and if it must be approved, amend the bill to change the compensation scheme from tax credits to actual cash payments.

Respectfully,

Chuck Johnson  
Oregon SFO