



The League of Women Voters of Oregon, established in 1920, is a grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

Date: February 20, 2024

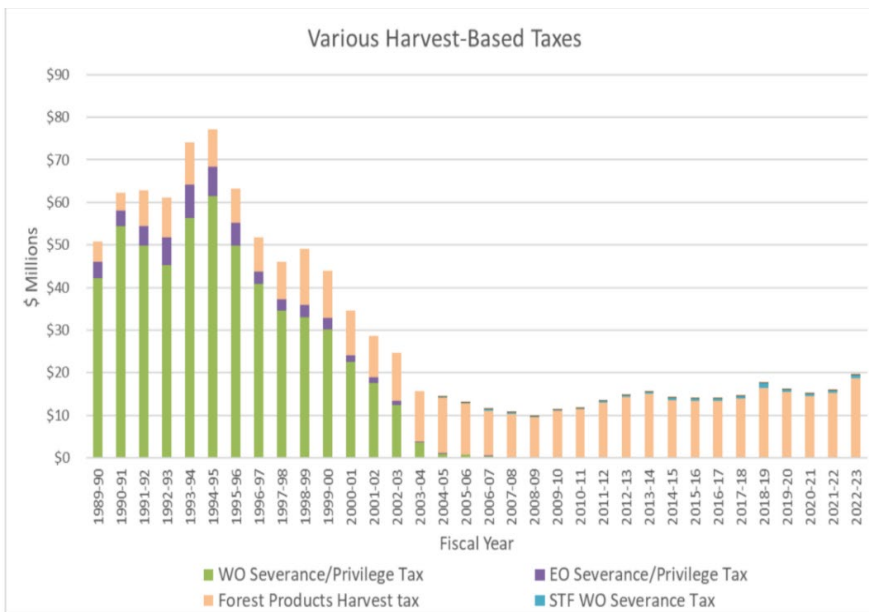
To: [Sen. Meek](#), Senate Finance and Revenue, Chair, [Sen. Boquist](#), Senate Finance and Revenue, Vice-Chair, [Members of the Senate Finance and Revenue Committee](#)

Re: [SB 1593 -1](#) – Study of a Severance Tax on Timber – **Support**

One of the League of Women Voters of Oregon’s priorities for the 2024 session is to “**support funding** for implementing community wildfire risk reduction programs designed to build neighborhood resilience.”

In addition, LWVOR supports tax policy that “generates adequate revenue for essential services while promoting equity and progressivity in tax policy based on the ability to pay, and that it be equitable, adequate, stable, easy to administer and as simple as possible. The League supports a tax system that recognizes the individual's responsibility for government services by providing for broad sharing of the tax burden.”

With our current system of funding for fire services, we are concerned that the timber industry has not been paying its fair share of taxes in support of public services. Since the 1990’s, the severance tax that had been in place that supported county government was reduced, and in 1999, the Legislature passed a bill that phased out the severance tax paid by larger timber companies altogether over the course of three years. The recent chart below shows the decline in revenue collections from timber taxes since 1990. Besides specially assessed timber property taxes, they just pay the Forest Products Harvest Tax.



The LWV supports SB 1593-1 calling for a nine-month study that would consider reinstating a severance tax on forestland owners for all timber harvested on public and private land. Among other things, the six plus member work group would “Assess the general adequacy of the proposed severance taxes to achieve the goal of adequate, long-term funding of necessary wildfire programs and provide monies again to local governments for services needed, while assuming that the state general fund continues to provide \$50 million per biennium for wildfire programs.” It will also study what other western states are doing “that resemble elements in the proposed severance taxes that are worth considering for improving the proposed severance taxes.”

The proposed severance tax would replace the current Forest Products Harvest tax based on volume in thousand board feet (currently \$5-\$6/MBF) which brings in approximately \$16 million annually, with a tax based on the value of standing timber at the time of harvest. Rough estimates are this would bring in \$78 million after the subtraction of the repealed harvest tax revenue.

The elements of the proposed tax to be studied are:

- Each year the first 25,000 board feet of timber sold by any land-owner is tax exempt.
- The tax rate increases with the size of the seller's total land holdings.
 - 500 acres or less: 1% of gross revenue on a stumpage measurement basis
 - 501-2500 acres: 2%
 - 2501-5000 acres: 4%
 - 5001 acres or more: 6%
 - Public timber: 5%

The study would consider elements, including what timber companies or individuals who already pay income tax on the sale of timber would have a “nonrefundable credit available at the rate of 25% of the taxpayer’s net income tax from the sale of timber.” This tax credit would be available to S Corporations, LLCs and any other entity currently paying income tax on the value of harvested timber. Proposed for study is a 20% discount against severance taxes for any entity that receives forest management certification from the Forest Stewardship Council (FSC) which has high standards for climate smart practices.

The study will also evaluate the bill’s proposal for the following distributions in the original SB 1593:

- **25%** to the **Department of Forestry** for the variety of programs currently funded by the Forest Products Harvest tax, which would be eliminated. Any excess could go to wildfire suppression.
- **25%** to the **Office of the State Fire Marshall** for the suite of Community Risk Reduction programs referenced above. These range from equipment and personnel funding for small fire districts and departments across the state, to assistance for homeowners, organizations and towns to make their properties more fire-safe.
- **40%** to **timber counties and local taxing districts** to replace some of the funding they lost when the severance tax ended. They would use these funds as they see fit.
- **10%** to the **Oregon Watershed Enhancement Board** for restoration of municipal water supplies damaged by combinations of logging and wildfire impacts.

We appreciate that more revenue would be returned to the counties, local fire districts and other impacted jurisdictions and assume that would be part of the study discussion. We appreciate that there would be funding for Community Risk Reduction programs that help prepare communities for wildfire, and funding for watershed restoration.

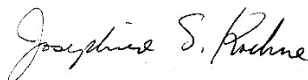
LWVOR has supported previous versions of a severance tax. According [to LRO projections done for Rep. Holvey’s 2021 bill HB 2379](#) (pg.18), Washington collects more than twice as much as Oregon does whether based on pond or stumpage values, compared to our flat volume rate, so changing over to a value tax system alone would bring in significantly more revenue to Oregon. Holvey’s [2019 presentation on HB 2495](#) showed that Washington brings in far more in tax revenue than Oregon does, despite the fact that we harvest more trees, and have higher-value timber.

We support studying the concept of a severance tax based on the value of timber harvested and a task force dedicated to working out a fair and reasonable tax system.

Thank you for the opportunity to discuss this legislation. We look forward to working with you and others to arrive at a fair and equitable solution to this issue.



Rebecca Gladstone
LWVOR President



Josie Koehne
LWVOR Forestry Portfolio

Cc: [Sen. Jeff Golden](#), [Rep. Pam Marsh](#), [Rep Nancy Nathanson](#)