

April 24, 2025

House Revenue Committee
Representative Nathanson, Chair

Chair Nathanson and Committee Members,

Thank you for the opportunity to provide testimony on HB 3489. HB 3489 creates a severance tax on timber value when harvested from public or private forestlands and repeals the current forest products harvest taxes. It also makes changes to the tax assessments on forestland on a per acre basis. It also refers this Act if passed to the people at the next general election, though I am asking that an amendment remove the referral and make some other updates, including the inclusion of the State Fire Marshall in the measure.

With current forecasts that there will be a 3-fold increase in the number of acres burned in the coming years and the increased costs to the public, it has become apparent that the current tax system is not fair or sustainable. Timber taxation reform is necessary to ensure adequate resources for wildfire response, prevention, and mitigation with an equitable distribution of those costs to meet these challenges. Shifting most of the increased wildfire costs on private lands to the General Fund and all taxpayers of Oregon is not fair.

With this testimony, I have included a list of relevant statutory provisions highlighting the public policy and private obligations of suppressing and preventing forest fire. Also included are documents from the Legislative Revenue Office (LRO) and the Legislative Fiscal Office (LFO). And a conclusion from the Earth Economics Study for DAS in 2020-21 about the need for changes to the harvest tax system. The first LRO document is a historical look at timber harvest taxes which shows the loss of revenue from the severance tax on value in the 1990's, revenue that was never replaced. Until recently the Forest Products Harvest Tax remained relatively unchanged; the next document shows no significant effort to increase the tax effort into the Forest Land Protection Fund to meet the needed resources to suppress or prevent forest fires. It was 66 cents/thousand board feet in 1992-95, dropped to 50 cents from 1996 -2007 and has remained at 62.5 cents since then. This is emblematic of the inadequacy of the current system to meet the challenges and impacts of wildfires and the protection of the public and Oregon's taxpayers. Speaking to the fairness of the current system are charts showing the ownership of ODF protected lands (approx. 16 million acres) and the distribution of costs for total fire funding from the LFO. Private lands make up 77% of the total lands that are protected by these taxes and are paying only about

20% of the costs for fire on their own lands. An update on these costs will likely show that figure to be well below 20%. It should be noted that public lands pay 100% of the fire costs on their lands. Also in this document is a comparison of Oregon and Washington combined taxes and assessments on private lands. It shows that tax assessments are about 3 times higher in Oregon, and harvest taxes are about 3 times higher in Washington. However, the combined taxes from LRO data show that Oregon private forest land and timber owners pay about half of the amounts paid by their counterparts in Washington. Another chart shows that designated improved forestlands are paying 5 times more in tax assessments than the unimproved and largely industrial lands. To bring relief to these taxpayers HB3489 makes the tax rate the same for all forestland on a per acre basis; larger fires obviously cost far more for suppression and prevention. The last document is a quote from the conclusion of the Earth Economics Study from 2020-21.

In conclusion, HB 3489 will maintain the funding of most of the current uses of the Forest Products Harvest Tax, and bring some relative relief to smaller forest land owners while providing increased revenues to battle increasing wildfires and protecting the public. Without significant reform Oregon's General Fund will suffer increasing losses impacting other important agencies and programs also critical for Oregonians. I hope this committee will take action on the concepts included in this HB 3489 and pass legislation that will address the need for resources to accomplish wildfire suppression, prevention and mitigation in a more equitable way for all Oregonians.

Thank you for your consideration.

Paul Holvey

Statutory Policies and Duties

"The prevention and suppression of forest fires on forestlands for the preservation of forest resources and the continuous growth of timber on lands suitable therefor are declared to be the public policy of the State of Oregon." (ORS 321.011)

"The preservation of the forests and the conservation of the forest resources through the prevention and suppression of forest fires hereby are declared to be the public policy of the State of Oregon." –ORS 477.005

"During the season of the year when there is danger of fire, every owner of forestland shall provide adequate protection against the starting or spread of fire thereon or therefrom, which protection shall meet with the approval of the State Board of Forestry." –ORS 477.210

"Each owner and operator of forestland on which a fire exists or from which it may have spread, notwithstanding the origin or subsequent spread thereof, shall immediately proceed to control and extinguish such fire when its existence comes to the knowledge of the owner or operator, without awaiting instructions from the forester, and shall continue until the fire is extinguished." –ORS 477.066



December 2023

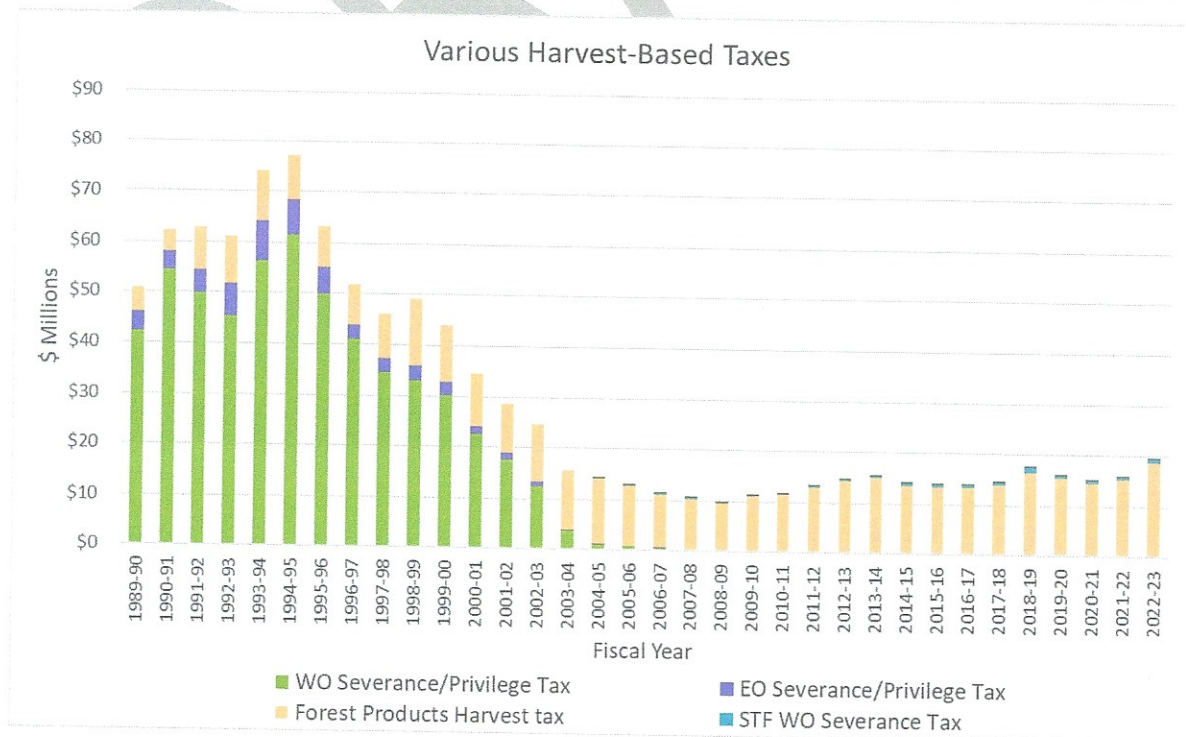
Legislative Revenue Office

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Taxation of Timber Harvests

Oregon has had several taxes based on either the value or volume of timber harvests - in some cases as part of the property tax. Prior to 1929, land and timber were tax collectively as real property. In 1929, an optional Forest Fee and Yield Tax came into effect. It was originally 2.5¢ (Eastern Oregon) or 5¢ (Western Oregon) per acre plus 12.5% of timber value at harvest. The 1961 Legislature changed how timber was taxed throughout the state. For Eastern Oregon, they exempted timber from the property tax while creating a 5% severance tax on the value of harvested timber. For Western Oregon, they created a partial property exemption and created a small tract option program. The 1977 Legislature again modified timber taxes. The Forest Fee and Yield Tax was phased out over several years and, in Western Oregon, timber became exempt from the property tax and a 6.5% severance tax based on the value of harvested timber was established.

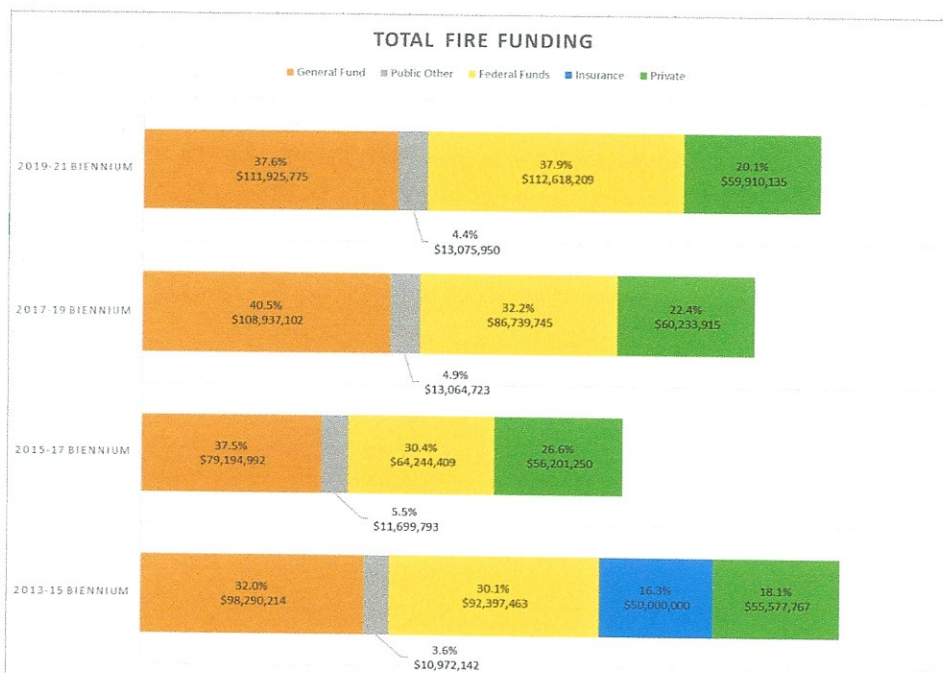
When Oregon voters passed Measure 5 in 1990, property taxes became subject to a tax rate limitation of 1.5% of real market value (per property). There was concern that the severance taxes would be subject to the same restriction, so the 1991 Legislature replaced them with privilege taxes. They were eventually phased-out. The chart below shows the tax collections on timber harvest taxes since 1989-90.



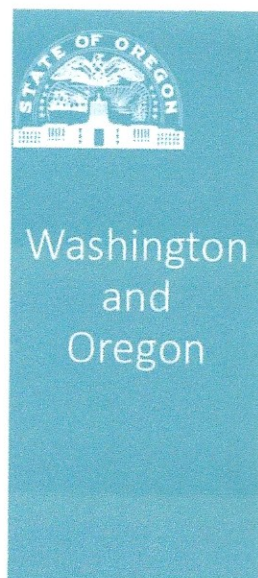
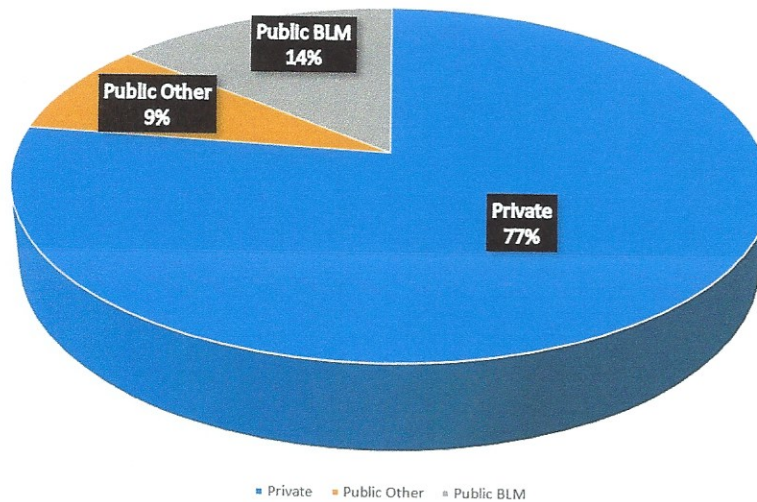
FOREST PRODUCTS HARVEST TAX					
Year	OSU Research	Protection Fund	Forest Practices	OFRI	Other
1990-91	\$0.2100	\$0.300	\$0.1600	-	
1991-92	\$0.3000	\$0.500	\$0.5300	\$0.31	-
1992-93	\$0.3000	\$0.660	\$0.5300	\$0.31	-
1993.2,3	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1994	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1995	\$0.4000	\$0.660	\$0.7700	\$0.31	-
1996	\$0.5000	\$0.500	\$0.6000	\$0.51	-
1997	\$0.5000	\$0.500	\$0.6000	\$0.51	-
1998	\$0.5500	\$0.500	\$0.7000	\$0.51	\$1.75
1999	\$0.5500	\$0.500	\$0.7000	\$0.79	-
2000	\$0.6700	\$0.500	\$1.0800	\$0.79	\$0.15
2001	\$0.6700	-	\$1.0800	\$0.79	\$0.15
2002	\$0.6700	\$0.500	\$0.9100	\$0.79	-
2003	\$0.6700	\$0.500	\$0.9100	\$0.79	-
2004	\$0.6700	\$0.500	\$0.7900	\$0.99	-
2005	\$0.6700	\$0.500	\$0.7900	\$0.89	-
2006	\$0.6700	\$0.500	\$0.5500	\$0.89	-
2007	\$0.6700	\$0.500	\$0.5500	\$0.89	-
2008	\$0.9200	\$0.625	\$1.1456	\$0.89	-
2009	\$0.9200	\$0.625	\$1.1456	\$0.89	-
2010	\$0.9200	\$0.625	\$1.1400	\$0.89	-
2011	\$0.9200	\$0.625	\$1.1400	\$0.89	-
2012	\$0.8739	\$0.625	\$1.2952	\$0.89	-
2013	\$0.8739	\$0.625	\$1.2952	\$0.89	-
2014	\$0.8439	\$0.625	\$0.9727	\$0.89	-
2015	\$0.8439	\$0.625	\$0.9727	\$0.99	\$0.10
2016	\$0.9000	\$0.625	\$1.1037	\$1.00	\$0.10
2017	\$0.9000	\$0.625	\$1.5661	\$1.04	\$0.10
2018	\$0.9000	\$0.625	\$1.5700	\$1.04	\$0.10

4/17/2019

Data retrieved from Legislative Revenue Office



FY 2019 Distribution of ODF Protected Lands by Ownership



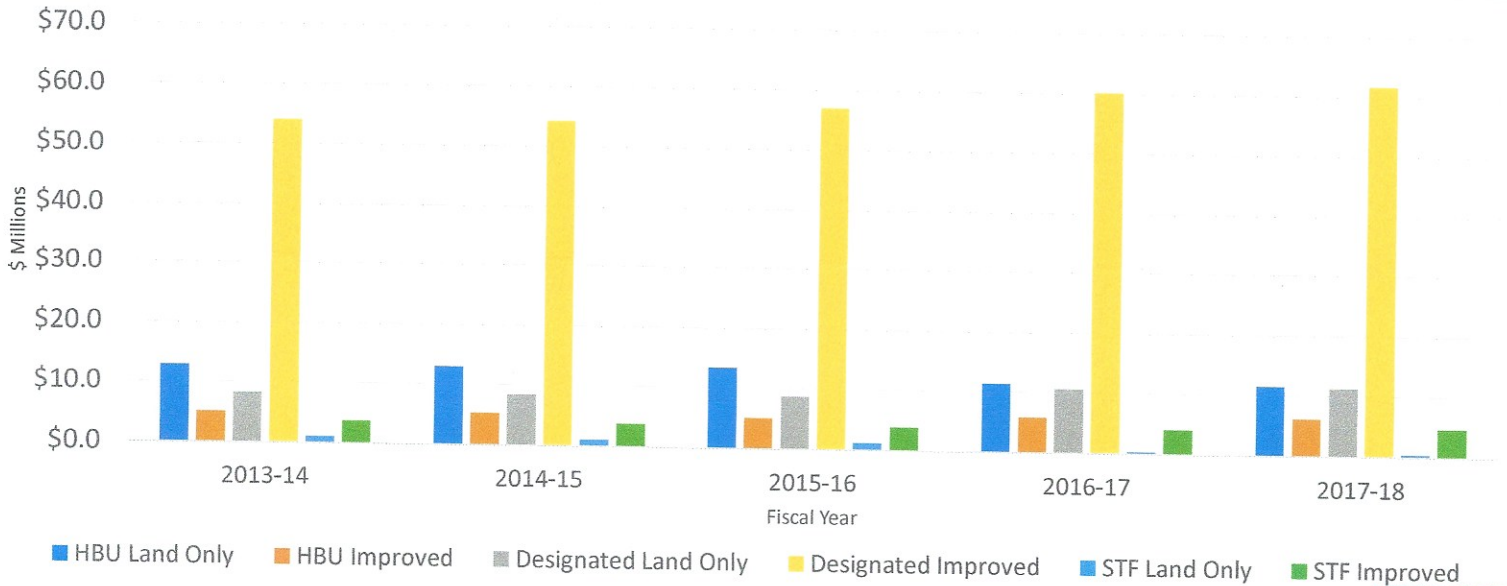
	Oregon	Washington
Taxes Upon Harvest		
Severance	\$ 522,895	\$ 47,200,000
Privilege	\$ 15,436,288	
Taxes on Unimproved Forestland		
	\$ 25,257,309	\$ 8,271,255
Acres of Unimproved Private Forestland		
	8,142,698	6,213,349
Annual Harvest		
MBF	3,541,290	2,644,425
Value	\$ 2,244,412,951	\$ 1,122,500,000

	Oregon	Washington
Total Tax	<u>\$41,216,492</u>	<u>\$55,471,255</u>
Taxes / Acre	5.06	8.93
Taxes / MBF	11.64	20.98
Tax per Dollar of Pond Value	~ 1.9 cents	~ 4.9 cents





Estimated Forestland Property Taxes



It is clear that Oregon has an extremely complex system that could benefit from some selective pruning. This complexity is borne from the strong collaboration between landowners and the State that is unique in Oregon, but also from decades of policy changes and program adjustments. Today, this system and its complex web of procedures, assessments, fees, taxes, and stakeholders delivers on ODF's containment goal of extinguishing 98% of fire starts before they reach ten acres, but also generates confusion and difficulty in tracking who pays for what in the preparedness and suppression ecosystem. In the future, whenever making adjustments to the legislation, processes, detailed procedures, and underlying systems that define and support ODF's Fire Protection Division mandate, it will be beneficial to seek ways to reduce complexity while still achieving key policy goals.

from Earth Economics Wildfire Costs 2020-21