



OFIC Opposes HB 3489

Chair Nathanson, vice chairs Reschke and Walters, members of the committee, for the record my name is Tyler Ernst and I am testifying this afternoon on behalf of the Oregon Forest Industries Council in opposition to HB 3489.

We acknowledge that the -1 amendment that was dropped earlier today makes a number of substantive changes over the base bill, but based on our review of the amendment, the comments that I make today apply equally to the base bill and to the amended version and we are equally opposed to both.

This is now the sixth legislative session since I joined OFIC, and in nearly every one of those sessions, there has been a bill substantially similar to HB 3489 that has been introduced. One begins to feel like something of a broken record making the same points year after year for why a timber severance tax is poor public policy that should be consigned to the dustbin of legislative ideas, but alas, make them we must!

There are many reasons I could raise to illustrate why this is not good policy. I could speak to the generally uncompetitive business tax environment that already exists in this state, or I could address the inequities of imposing an additional tax on a business sector that already pays substantially more than the effective aggregate tax rate of similarly situated sectors. I could also cite the history of the phase-out of the timber severance tax in the late 90s and early 2000s and the reason for that phase-out: how the legislature at that time recognized that a tax that is typically imposed on entities that extract **non-renewable** public resources is inapposite for the harvest of second, third, or even fourth growth timber on privately-owned forestland, of which the entire carrying cost – from site prep and initial planting to cultivation to, decades later, final harvest – has been borne by the landowner.

I could further note the substantial changes that were made to the property tax structure when the severance tax was phased out. How forest landowners now pay annual property tax on the full taxable value of their forestland, rather than on only a small portion of the taxable value as they did when the severance tax was in effect.

However, I primarily want to direct your focus to two things. First, insofar as the bill proponents may advocate for this bill as necessary, in part, to address fire funding, I would note that this concept was considered among the suite of potential mechanisms for



funding wildfire response by the diverse, 35-member workgroup that met in the interim to address wildfire funding, and it was roundly rejected by that group. In fact, it was the revenue option that received the least amount of support among all the options considered. This committee will have a future opportunity to take up the bill, 3940, that resulted from that work and we urge your support of the collaborative work product of a broad stakeholder group, rather than this hobby horse of a small handful of legislators.

Second, by our calculations, this bill could increase harvest taxes in this state by **800%** over what is collected today through the Forest Products Harvest Tax. Even an exceedingly conservative estimate results in at least a 500% increase in harvest taxes. It would nearly **triple** the *total* tax burden for the forestry and logging sector and nearly **double** the *total* tax burden for the broader forestry and wood products sector. That anyone would consider increasing the tax burden on a single business sector to this extent is simply mind-boggling, and it illustrates in stark terms that this concept is less about trying to find a bit of additional funding to plug budget holes for key programs than it is about seeking a pound of flesh from a sector that is disfavored by those championing the concept.

Data recently published by the Oregon Employment Department shows that the wood products industry is still integral to this state, and is vitally important for many rural communities. We are committed to sticking it out, here, but every additional burden on Oregon landowners makes it that much more difficult to remain competitive in a global market where cost pressures can easily lead to loss of market share and the substitution of alternative materials. There is no better place to grow and harvest trees anywhere in the world than Oregon, which is why Oregon is the #1 state for sustainable forestry, but if our mills have to pay a premium for logs to offset an outsized tax liability on harvested timber, we could see the erosion of this key industry.

We implore you, then, to help keep Oregon's timber industry competitive by refraining from further burdening it with something as misguided and deleterious as this severance tax.

Thank you for your time. I welcome any questions.