

Submitter:

Cliff Barnhart

On Behalf Of:

Committee:

House Committee On Revenue

Measure, Appointment or Topic:

HB3489

In a time where it is in the public's best interest that forests be well managed (fire prevention, carbon sequestration, etc.), it is insanity that would cause just the opposite to happen by removing a significant percentage of the income from a forestland owner with this "privilege" tax. I am a consulting forester managing many small to medium forestland properties for clients as well as personal ownership of forest lands. I just did the math on a recent timber harvest I administered for a family timberland ownership. The 4% tax on the pond value of the timber amounts to \$42/MBF (thousand board feet). The net after all harvest costs for this landowner who managed and grew these trees for over 70 years was around \$700/MBF. This makes the proposed severance tax 6% of the net. Now add the 10% capital gains tax this family will pay and now you have a effective tax rate of around 16% being paid to the State of Oregon for this family. I bet there isn't another industry in the state that pays this high of taxes.

A second example for the same landowner is a commercial thin project where we thinned 40 acres of 25-year-old for the purpose of forest health. Our gross pond value was \$110,000 for this thin project and our total harvest expenses were \$105,000. With this new tax, we would have to pay 4% of our pond value, or \$4,400 in privilege taxes. This is a 100% tax on the net income for the family. With the tax, this vital management for continued forest health likely would not have been done. The unthinned stand would be at a higher risk for fire, would suffer from overstocking which would take managing longer rotation ages less viable, and would reduce forest sector jobs in this state.

Here are some specific criticisms of the bill:

- 1) Severance taxes should be based on a percentage of the net stumpage (pond value minus all harvest expenses), not the pond value as this bill is written. As my two examples above show, using pond values for the tax makes it a bigger burden on operations which have higher harvest costs.
- 2) The FSC certification should not be the only certification incentivized in this bill. FSC certification is a square peg that does not work in the round hole of managing forest lands in western Oregon. That is why there are only a handful of forest acres in the FSC certification program in this area. Tree Farm and SFI certifications should be equally accepted.
- 3) This industry just had a major financial hit with the implementation of the PFA forest practices rule changes. Now add this and you are adding another nail to the coffin of the timber industry in this state.

For these reasons, I am opposed to this bill. Thank you for your consideration of this testimony.