

Representatives Phil Barnhart and Vicki Berger

Co-Chairs House Revenue Committee

RE: HB 2414, HB 3050, HB 3187 & HB 3221

Co-Chairs and Members of the Committee,

My name is Roger Beyer and I am submitting this testimony on behalf of my client, the Oregon Small Woodlands Association (OSWA). OSWA represents more than 1500 owners of non-industrial forestland owners in every part of the state. Our regular members own between 1 and 5000 acres of land with trees growing on their property. OSWA members are individuals, families, or companies who want to connect and network with other property owners in their county, state, and region. In addition to lobbying, OSWA provides a variety of services for its members such as being a resource of the most current information and technology about forestland and an opportunity to participate in developing carbon markets.

OSWA is in support of reducing or eliminating the tax on capital gains income. When our members, or anyone, receive income from the sale of timber it is from many years of investment of money, time and hard work. Timber is literally a crop in which you harvest what your ancestors established and you replant for your descendants. Reducing the tax on this type of income will help to spur more investment in long term enterprises like timber.

Of the four bills up for hearing, OSWA would prefer HB 3187 over the other three. This bill is the simplest of the four for both tax payers and Department of Revenue. Allowing all taxpayers to deduct all capital gains from their federal income is the most efficient way to reduce the tax. OSWA would urge you to send this bill to the House floor with a do pass recommendation.

HB 3050 would be OSWA's second choice of bills for you to consider. While not as simple as HB 3187, it at least would offer some relief to all capital gains tax payers. Although this bill would require more from tax preparers to determine the amount of tax due and doesn't eliminate the tax entirely, it does reduce the tax and therefore OSWA would support it.

The concept in HB 2412 of putting any tax collected on capital gains into a rainy day fund is supported by OSWA. Capital gains tax revenue should not be used in the general fund as it is an unpredictable and unstable revenue source for government. If you choose not to eliminate the tax entirely, we believe this concept is much preferred and would ask that you insert the wording of section 4 of this bill into HB 3050 and pass that bill. Doing so would spur investment by granting capital gains relief to all taxpayers and at the same time would not allow government to use unpredictable sources of revenue for ordinary expenditures.

As drafted, HB 3221 does not fit within OSWA's principle for support. This bill defers the payment of tax for up to five years, but then would require the taxpayer to pay the amount due, after having previously invested the capital gains. This could lead to tax payers facing large bills without the money to pay them. If the bill was changed to be a deferral with an elimination of the tax for investments that are maintained beyond five years we could support it. As drafted, OSWA would be neutral on the bill and would ask you to not take action on this measure in favor of one of the others.

If you need additional information please contact me.

Thank You.

Roger Beyer

.03-519-5285

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