

## HB 2555-Taxes Logs Harvested in Oregon that are Exported out of State

Testimony from Oregon Small Woodland Association

### What It Does –

- A rate unspecified severance tax is imposed on all timber harvested in Oregon.
- A refundable tax credit is created for an owner of timber for logs milled in Oregon.
- 3% of tax collections are provided to Department of Revenue (DOR) for administration.
- State Forester must certify and shall adopt rules for certifying eligibility for credits.
- Excess taxes are provided to counties based on the amount of private timber harvested.

### Why It is a Bad Idea –Expensive, Unworkable, Unnecessary and Counter-productive

#### Expensive and Unworkable

- The State Forester is not staffed or equipped to track logs and certify credits, and no funding for these functions is provided for in the bill.
- Very difficult to track individual logs harvested from small woodland owners to final destination.
- It is unclear to whom the tax would be rebated (landowner, log broker or manufacturer).

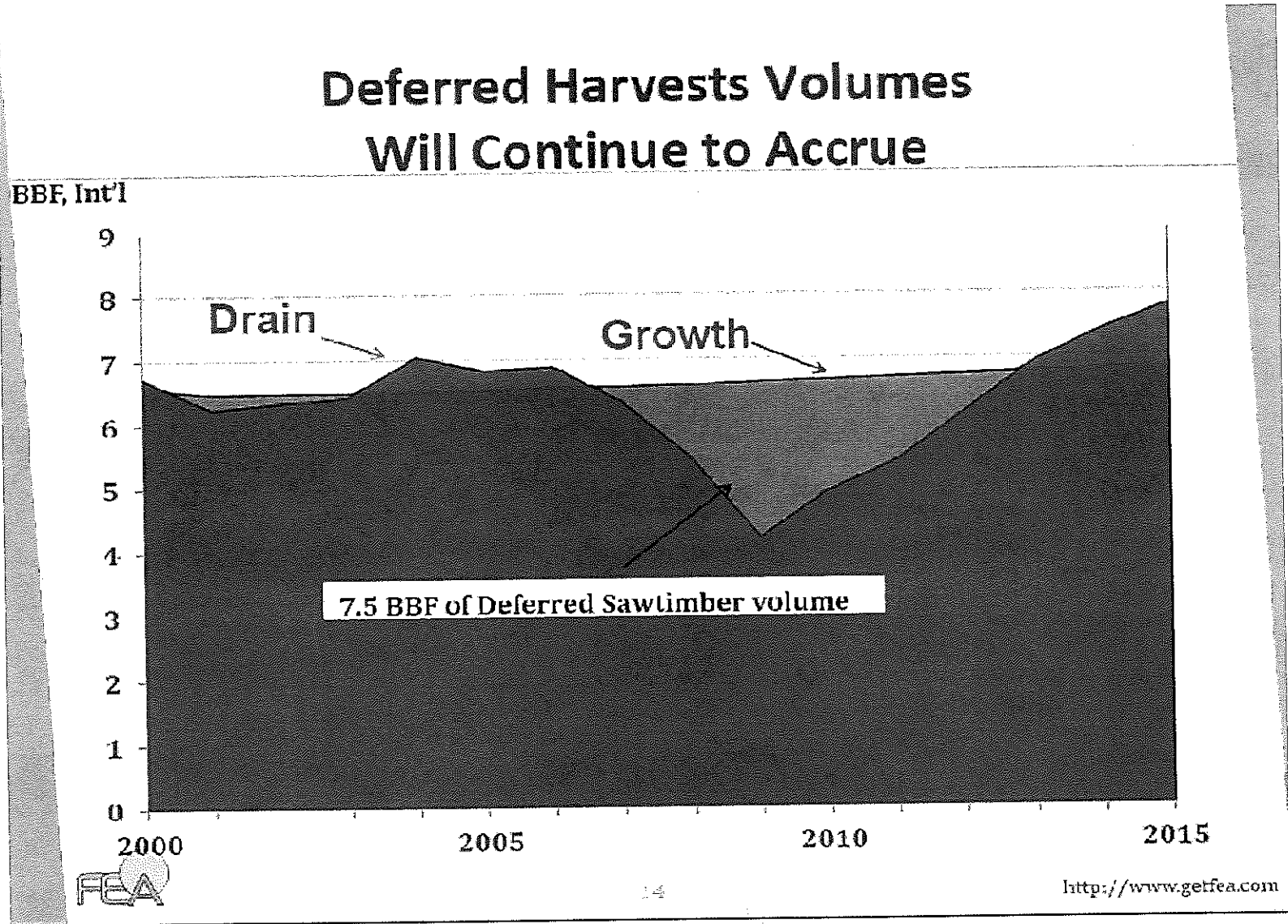
#### Unnecessary

- Strong domestic mill infrastructure is vital to supporting value of private timberlands.
- Few, if any, logs are exported from eastern Oregon, yet this is where forest product industry is in critical decline
- The vast majority of Oregon logs (80%+) are currently sold into the domestic market.
- Strong domestic demand for finished products is the key for mills to pay competitive prices for logs and will keep Oregon logs in Oregon mills.
- Log markets are naturally cyclical. In 2009-2011 domestic products markets crashed and overseas log markets were strong. Now domestic products markets are recovering and Asian log demand is slowing.
- Public timber (federal and state) cannot be exported out-of-country.

#### Counter Productive

- Small Woodland Owners will defer harvests during periods of low prices. Logs that were exported would likely not have been harvested for domestic market.
- Logs are the “crop” of Small Woodland Owners. All markets should be open, accessible and supported for forestland owners crops, just like export markets for agricultural producers.
- Small Woodland Owners who have inherited their woodlands have been taxed at highest value for their crop. Restrictions/taxes on log exports could artificially reduce that value or create double taxation on the crop.
- The export market was the one saving grace during the most recent recession. The export market was responsible for retaining family-wage jobs in logging, trucking, reforestation, longshoreman, and maritime industries.
- Logs routinely flow across state lines, particularly between Washington and Oregon. This bill would disrupt those log flows adversely impacting both landowners and manufacturers.

# Downturn has increased available supply



When housing starts go down lumber demand goes with it

## U.S. Housing and Lumber Demand

