
MEMORANDUM

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To: Natural Resources Subcommittee

From: Linda Gilbert, Legislative Fiscal Office
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Date: June 13, 2013

Subject: House Bill 2051-A
Work Session Recommendations

House Bill 2051-A is the harvest tax bill. It passed out of the House Revenue Committee May 24 on an 8-0-1 vote. It comes to Ways and Means by prior reference.

The measure extends privilege taxes on merchantable forest products harvested on forestlands. The –A version includes 97.27 cents per thousand board feet for administration of the Forest Practices Act. The rate for the prior two years was \$1.2953 per thousand board feet. The projected volume is 7,195,622 thousand board feet. This part of the tax supports \$4.38 million in expenditures for 2013-15.

The –A3 amendment changes the rate for the Forest Research Laboratory at Oregon State University from 87.39 cents to 84.39 cents per thousand board feet. At this rate, the expected revenue is \$6.07 million, assuming the projected harvest of 7,195,622 thousand board feet in the two year period. This amount is equal to the General Fund appropriated for the laboratory.

The amendment also adds a 10 cents per thousand feet for use by Oregon State University for the purpose of making investments in professional forestry education at the College of Forestry.

Amendment Motion

The amendment is recommended.

Motion: Move –A3 amendment to HB 2051-A.

Measure Motion

The measure is recommended to be moved to the full Committee on Joint Ways and Means.

Motion: Move HB 2051-A, as amended, to the full committee with a “do pass” recommendation.

**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 2051**

1 On page 1 of the printed A-engrossed bill, line 2, after “321.015” insert “,
2 321.017, 321.145 and 321.152”.

3 In line 8, delete the blank and insert “84.39”.

4 After line 25, insert:

5 “(4) For the calendar years beginning January 1, 2014, and January 1,
6 2015, in addition to the taxes levied by subsections (1) to (3) of this section,
7 there is levied a privilege tax of 10 cents per thousand feet, board measure,
8 upon taxpayers for the privilege of harvesting all merchantable forest pro-
9 ducts harvested on forestlands. Subject to ORS 321.145, the proceeds of the
10 tax shall be transferred as provided in ORS 321.152 (5) to the subaccount
11 established pursuant to section 1, chapter 39, Oregon Laws 2012, for use by
12 Oregon State University for the purpose of making investments in profes-
13 sional forestry education at the College of Forestry.”.

14 In line 26, delete “(4)” and insert “(5)” and delete “(5)” and insert “(6)”.

15 On page 2, line 8, delete “(5)” and insert “(6)”.

16 Delete lines 11 through 14 and insert:

17 **“SECTION 2.** ORS 321.017 is amended to read:

18 “321.017. (1) In addition to the taxes levied under ORS 321.015 (1) to [(3)]
19 (4), there hereby is levied a privilege tax upon taxpayers on the harvesting
20 of all merchantable forest products harvested on forestlands in the amount
21 provided in subsection (2) of this section.

22 “(2) The rate of tax levied in subsection (1) of this section shall be es-

1 tablished annually at the beginning of each calendar year by the board of
2 directors of the institute, at a rate not to exceed 75 cents per thousand feet,
3 board measure, on all merchantable forest products harvested on forestlands.
4 The maximum tax rate prescribed by this subsection may be increased by the
5 board of directors in an amount equal to the previous year's increase in the
6 Consumer Price Index (Portland area -- all items) as published by the Bureau
7 of Labor Statistics of the United States Department of Labor for the
8 Portland, Oregon, area.

9 “(3) The tax shall be measured by and be applicable to each per thousand
10 feet, board measure, and such shall be subject to and determined by the
11 procedures and provisions of ORS 321.015 [~~(4) and~~] (5) **and (6)**.

12 “(4) The tax levied by subsection (1) of this section shall be due and
13 payable to the Department of Revenue in the manner and procedure, includ-
14 ing penalties and interest, as set forth for the collection of the privilege tax
15 in ORS 321.005 to 321.185.

16 “(5) The revenue from the tax levied by subsection (1) of this section shall
17 be remitted to the State Treasurer who shall deposit it in a suspense account
18 established under ORS 321.145 (1). After payment of refunds, which shall be
19 paid in the same manner as other forest products harvest tax refunds are
20 paid in ORS 321.145 (2), the balance of the additional tax imposed under
21 subsection (1) of this section shall be deposited in the Oregon Forest Re-
22 sources Institute Fund.

23 **“SECTION 3.** ORS 321.145 is amended to read:

24 “321.145. (1) The revenue from the taxes levied by ORS 321.005 to 321.185
25 and 321.560 to 321.600 shall be remitted to the State Treasurer who shall
26 deposit it in a suspense account established under the provisions of ORS
27 293.445.

28 “(2) Notwithstanding the provisions of ORS 291.238, the amount of moneys
29 necessary to pay refunds of the taxes levied under ORS 321.015 (1) to [~~(3)~~]
30 (4) hereby is appropriated continuously to the Department of Revenue from

1 the suspense account referred to in subsection (1) of this section, and shall
2 be used by the department for the payment of all refunds of taxes levied
3 under ORS 321.015 (1) to [(3)] (4) that have been audited and approved by the
4 department. Any penalties, interest and taxes then due from the taxpayer
5 shall be applied in that order in computing any refund, and only the balance
6 due the taxpayer, if any, shall be refunded. The department shall on its re-
7 cords charge each refund against the revenue from the tax with respect to
8 which the refund is made.

9 **“SECTION 4.** ORS 321.152 is amended to read:

10 “321.152. (1) Subject to ORS 321.145 (2), moneys remaining in the Depart-
11 ment of Revenue’s suspense account referred to in ORS 321.145 on February
12 10, May 10, August 10 and November 10 of each year shall be transferred to
13 the [*various*] **respective** appropriation accounts described in subsections
14 (2)[, (3) and (4)] **to (5)** of this section.

15 “(2) That part of the moneys derived from taxes levied by ORS 321.015 (1)
16 shall be transferred to the Forest Research and Experiment Account de-
17 scribed in ORS 321.185.

18 “(3) That part of the moneys derived from taxes levied by ORS 321.015 (3)
19 shall be transferred to the State Forestry Department Account referred to in
20 ORS 526.060. Notwithstanding ORS 291.238, the moneys transferred to the
21 State Forestry Department Account under this section are appropriated
22 continuously for and shall be used by the State Forester, under the super-
23 vision and direction of the State Board of Forestry, for the purposes of ad-
24 ministering the Oregon Forest Practices Act and the forest practices
25 monitoring program.

26 “(4) That part of the moneys derived from taxes levied by ORS 321.015 (2)
27 shall be transferred to the Oregon Forest Land Protection Fund described in
28 ORS 477.750.

29 **“(5) That part of the moneys derived from taxes levied by ORS**
30 **321.015 (4) shall be transferred to the subaccount established pursuant**

1 to section 1, chapter 39, Oregon Laws 2012.

2 **“SECTION 5. The amendments to ORS 321.015, 321.017, 321.145 and**
3 **321.152 by sections 1 to 4 of this 2013 Act apply to forest products har-**
4 **vest tax reporting periods beginning on or after January 1, 2014.**

5 **“SECTION 6. This 2013 Act takes effect on the 91st day after the**
6 **date on which the 2013 regular session of the Seventy-seventh Legis-**
7 **lative Assembly adjourns sine die.”.**

8

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2051 - A3**Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

Prepared by: Krista McDowell
Reviewed by: Linda Gilbert
Date: 6/12/2013

Measure Description:

Extends privilege tax on merchantable forest products harvested on forestlands.

Government Unit(s) Affected:

Department of Forestry

Summary of Expenditure Impact:

See Analysis

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis: The measure extends the period for which forest products harvest taxes are imposed and establishes rates for the extended period. The period extends to forest products harvested in calendar years 2014 and 2015. The measure sets the tax rate for support of forest research and experimentation at the Forest Research Laboratory at Oregon State University, and the rate of tax for administration of the Oregon Forest Practices Act. The forest products harvest taxes are collected by the Department of Revenue, and actual tax receipts are transferred to the Department of Forestry and to the Oregon University System on a quarterly basis.

The Legislative Fiscal Office notes that the taxes imposed in this measure are set at a rate to coordinate with the agency's approved budgets and projected harvest levels.

The harvest level forecast for the 2013-15 biennium is projected to be approximately 7.1956 billion board feet.

The measure reduces the tax rate for funding the Forest Research Laboratory to \$0.8439; and decreases the rate of tax for administration of Oregon Forest Practices Act from to \$1.2953 to \$0.9727. All rates are per thousand board feet of merchantable forest products harvested.

The approved budget financed by the Harvest Tax for the Forest Research Laboratory is \$6.07 million. The bill will provide that amount of tax revenue to the Forest Research Laboratory in the 2013-15 biennium if the tax is paid on all timber harvested at the estimated projections. It matches an equal amount of General Fund for the FRL.

The approved budget financed by the Harvest Tax for Forest Practices is \$9.6 million. At the \$0.9727 rate, harvest taxes will yield \$4.4 million revenue. The balance of the revenue requirement will come from the beginning balance and three quarters of revenue at the prior rate estimated at a total of \$5.2 million.

The –A3 amendment establishes a \$0.10 per thousand board feet of merchantable forest products harvested to provide funding to the Oregon State University College of Forestry, with expected revenue of \$0.7 million.

Revenue:**Fiscal:****Action:****Vote:**House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Linda Gilbert, Legislative Fiscal Office**Meeting Date:** [Full Committee Meeting Date]

WHAT THE MEASURE DOES: The measure extends privilege taxes on merchantable forest products harvested on forestlands. The –A version includes 97.27 cents per thousand board feet for administration of the Forest Practices Act. The rate for the prior two years was \$1.2953 per thousand board feet. The projected volume is 7,195,622 thousand board feet. This part of the tax supports \$4.38 million in expenditures for 2013-15.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENT: The –A3 amendment changes the rate for the Forest Research Laboratory at Oregon State University from 87.39 cents to 84.39 cents per thousand board feet. At this rate, the expected revenue is \$6.07 million, assuming the projected harvest of 7,195,622 thousand board feet in the two year period. This amount is equal to the General Fund appropriated for the lab.

The amendment also adds a 10 cents per thousand feet for use by Oregon State University for the purpose of making investments in professional forestry education at the College of Forestry.

BACKGROUND: Merchantable forest products harvested on forestlands are subject to privilege taxes. The taxes are used for forest research and to administer the Oregon Forest Practices Act. The biennial harvest tax rate is determined by the budget amount needed by the Department of Forestry to administer the Forest Practice Act, offset by any beginning balance in the fund, and using the estimated biennial harvest volume in board-feet. An additional tax is also recalculated in each biennium based on matching the total General Fund appropriated to the Oregon State University Forest Research Laboratory.