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Oregon Forest Industries Council

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**TESTIMONY ON HB 3020**  
**LINCOLN CANNON**  
**HOUSE REVENUE COMMITTEE**  
**April 15, 2015**

My name is Lincoln Cannon, and I am the Director of Forest Resources and Taxation for the Oregon Forest Industries Council (OFIC). Thank you for the opportunity to testify this afternoon.

HB 3020 requires the Legislative Revenue Officer to study changes necessary to make timber tax revenue in Oregon equivalent to timber tax revenue in neighboring states. We believe such a study to be both unwarranted and counterproductive.

First, neighboring states do not have uniform timber tax policies. The results would depend on which states Oregon was being compared to. For example, Oregon, Washington, California and Idaho all levy ad valorem property taxes on forestland. As far as harvest taxes, however, Washington has a 5% severance harvest tax, California has a 3.2% severance harvest tax, Oregon has a \$3.43 per thousand board foot forest products harvest tax, while Idaho levies no taxes on harvested timber.

More importantly, timber tax-only comparisons are simply not relevant. By ignoring the overall differences in tax structures between the states, such studies produce a distorted and inaccurate picture of total forest sector contributions to public revenues.

An obvious example of the difference between states is the tax treatment of income in Washington and Oregon. There are no income taxes in Washington. Income taxes generated by the Oregon forest sector contribute over \$170 million to state coffers. Similarly, Oregon pays taxes and/or fees that are not levied in other states such as for fire protection and transportation. The Oregon Department of Forestry calculates that the Oregon forest sector produces over \$450 million in public sector revenues.

The level of timber taxation is a policy question, not a research question, which should only be considered in the context of all Oregon public revenue sources, not tax programs in other states.

35% of Oregon forestland is in private ownership which produces nearly 80% of the total annual harvest. 60% of Oregon forestland is in federal ownership which produces only 13% of the total annual harvest. The way to increase the tax contributions of Oregon's forest sector to government is to promote increases in the harvest from public timberlands. This not only would increase jobs and taxes, but would help reduce fire risk, reducing potential fire suppression costs as well as the associated carbon emission.

Thank you for your consideration and I would be happy to take any questions.

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