

February 28, 2017

Rep. Phil Barnhart
900 Court St NE, H-279
Salem, Oregon 97301

Re: **Opposition to House Bill 2859**

Dear Representative Barnhart:

We are opposed to the passage of House Bill 2859. We understand that you are chairman of the committee that will be conducting a hearing on this bill. This bill subjects small woodland owners to overwhelming property tax obligations by the removal of the special assessment for forestland (sections 60, 65, 66 and 67 of the Bill).

While specific financial-related details about how this bill would be implemented are not completely clear, we understand the following regarding the Bill's impact on our property taxes. We currently own about 85 acres of forestland in western Oregon near Estacada. This acreage is broken out into four nearly contiguous parcels. Using the latest (2016-17) property tax statement received for our 40 acre parcel, for example, the Measure 5 Special Assessed Value (SAV) of this property is \$6,452, which is then further reduced by the Measure 50 Assessed Value (AV) to \$4,066, resulting in an annual property tax of \$96.12. According to the Clackamas County assessor, the Real Market Value (RMV) of this property is \$282,107. Therefore, if the SAV is removed, the taxable value of the property will come closer to the RMV, resulting in a tax of not \$96.12, but upwards of $[\$282,107/\$4,066] \$96.12 = \$6,669$, or **a property tax increase of over 6,800%**! Similar effects would occur for our other three forestland parcels. It must be understood that, under the current property tax structure, when these lands are harvested for logs, additional taxes are levied to capture not only the value of the timber extracted, but the proportionate share of remaining property taxes, depending upon the type of deferral option utilized. These additional, traditional taxes are expected and have been accounted for in financial plans.

In addition to the extreme financial hardship incurred as a result of this bill, we envision other potential problems that will **not** be beneficial to Oregonians in general, including:

1. This change in property tax structure may force landowners to reevaluate the use of their land for timber production. Perhaps some will try and develop the land, or convert to some other non-timber use. Others may seek to develop, but will be hindered by land use laws, which restrict such development, since most of these lands, certainly our land, are in areas zoned for Ag/Forest or Forest use only, with 80 acre minimum lot sizes. What is to become of them? This is an unfair financial and development burden, putting the landowner between a rock and a hard place.
2. Under this proposed bill, if some landowners feel compelled, and have the legal right to develop their land, is this in the best interest of the state: to take valuable, producing timberlands out of production? This would appear to be in contradiction to current land use policy in Oregon, which has been fairly effective for a number of decades by determining the best use of particular sites (e.g. agriculture, forest, residential, etc.).
3. One of the benefits of Oregon's land use laws is the ability of centralized urban development to be close to areas zoned for farm and forest. This could erode the character of this current


urban/rural development scenario and the intent of this type of zonation public policy, which has been fairly effective during the past 40 years. (There is a public benefit to having forestland relatively near urban centers.) This will be a detriment to the quality of life of many Oregonians, and to the environment.

4. Will this change in property tax law affect the long term quantity of timberlands statewide, which would affect not only income and tax revenue from such timberland production, but carbon sequestration potential to combat the effects of climate change?
5. Many landowners (including us), have owned their land for many years, some for four, five or more generations, passing the land on to their heirs. This family tradition may no longer be possible if other unforeseen and excessive economic pressures come to bear on subject properties, forcing landowners to sell their land due to excessively high annual property tax burdens. (It must be remembered that small woodland owners only receive the majority of the revenue from their land very infrequently, perhaps on a 40 to 80 year cycle.) Furthermore, when the land is sold, how will the change in the property tax structure affect the real market value of this land? Will it become a diminished investment? Has an economic analysis of all the ramifications (considering all of the factors listed above and others that we are not even aware of) on a typical small woodlands owner of such a drastic change in public policy been undertaken? We have not seen such a study.
6. For this tremendous increase in property taxes, what is the direct benefit to the small woodland owner? What will he or she receive for such a tremendous increase in the tax burden?
7. For those small woodland owners who are currently retired, and have made long range budget forecasts based upon current tax law, how will they cope, being on fixed incomes, with such onerous property tax increases?

In summary, we find that the proposed bill, HB 2859, as currently written, particularly with regards to private forest landowners, is at the very least poorly written public policy and certainly needs more clarification and broad discussion with input by landowners. We believe that in its current form it should be withdrawn from further consideration.

Thank you.

Sincerely,



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