

Timber Taxes in Oregon: Economic Context

Testimony to the House Revenue Committee re HB 2495
by
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Summary:

I. Owners of Industrial Timberland Extract About **\$1 billion/yr** from Oregon's Forests

- Most of this money goes to Wall St. investors with no connection to the wellbeing of communities or ecosystems

II. This Flow Is Supported By Money Extracted from Workers and Communities

- A. **\$350+** million/yr Is Extracted from **Workers**
- B. **\$300+** million/yr Is Extracted from **Communities**
- C. **Additional Money** Is Extracted Through Negative Impacts on **Ecosystems**

The information on the following pages supports these conclusions.

I. Owners of Industrial Timberland Extract About \$1 billion/yr from Oregon's Forests

These Estimates Represent Reasonable Assumptions and Data Regarding Timberland Owners' Return on Investment^a

Money Flow Per Year	
Per Acre	\$150
Total, All Industrial Lands	\$923,000,000
Wall St. Share	\$410,000,000+

^a Assumptions and sources:

- Market value: \$3,000/acre. (Rasmussen, Mark. 2012. "Western Timberland Market Value Drivers and Trends." Western States Land Commissioners Association)
- Annual return: 5%. (Talbert, Cheryl, and David Marshall. 2005. "Plantation Productivity in the Douglas-Fir Region Under Intensive Silvicultural Practices: Results from Research and Operations." *Journal of Forestry*.)
- Total industrial timberland: 6,155,000 acres. (Lettman, Gary J., and others. 2016. *Forests, Farms, & People: Land Use Change on Non-Federal Land in Oregon 1974-2014*. U.S. Forest Service and Oregon Department of Forestry.)
- Industrial timberland owned by Wall St. investment institutions (REITs and TIMOs) in 2014: 2,733,000 acres. (Lettman and others. 2016.)

II. This Flow Is Supported By Money Extracted from Workers and Communities

A. \$350+ million/yr Is Extracted from **Workers**

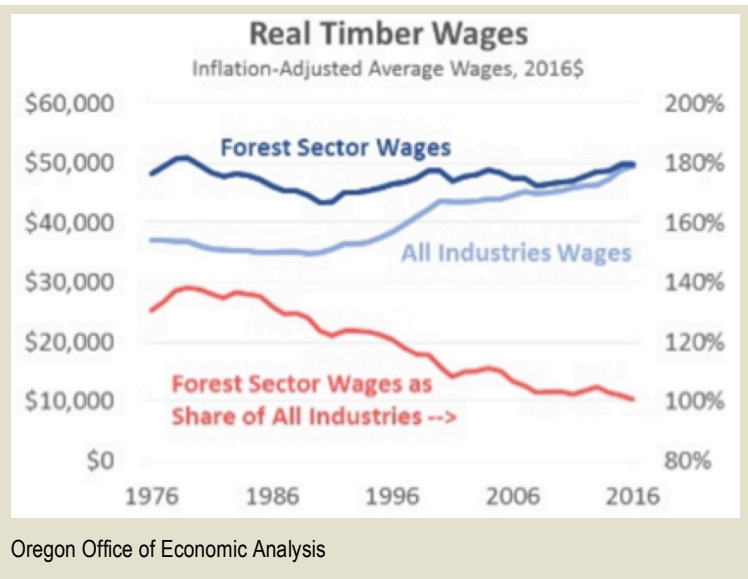
Timber Has Cut
Workers' Wages,
Relative To Other
Industrial Workers

No Longer Pays 30%
Premium Above
Statewide Average

Annual Cost:^b

Per Worker = \$15,000+

**All Timber Workers:
= \$350+ million**

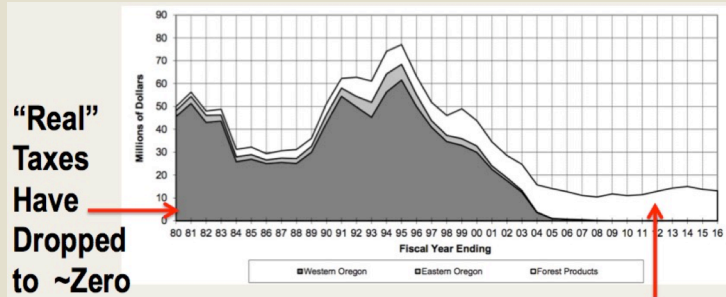


^b Per-worker estimate assumes loss =30% of average annual wage for manufacturing except computers and electronics. This was \$48,500 in 2014 (Lehner, Josh. 2015. Manufacturing Wages. Oregon Office of Economic Analysis). Industry-wide numerical estimate multiplies the per-worker amount times 23,500 workers in Workers in Wood Products Manufacturing in 2018 (Oregon Economic and Revenue Forecast. 2019). Additional losses experienced by workers in other sectors of the timber industry.

B. \$300+ million/yr Is Extracted from Communities

Timberland Owners Enjoy Higher Earnings Because the Industry No Longer Pays General-Purpose Taxes

Tax Avoidance – Timber Tax Collections



This “Tax” Goes Back To the Industry, Not Communities

Oregon Legislative Revenue Office

...And Timberland Owners Avoid Property Taxes To Encourage Longer Rotations.

Instead, Rotations Are Becoming Shorter

Tax Avoidance – Property Taxes

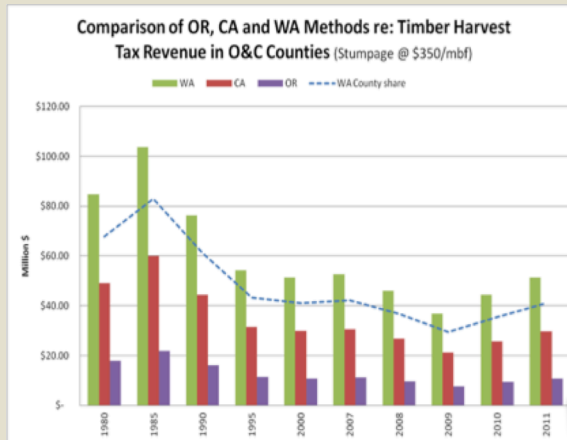
per year per biennium
\$301 mil **\$602 million**

Oregon Department of Revenue

...And The Timber Industry Does Not Pay a Timber-Harvest Tax To Support General-Purpose Government

Even Though It Does Pay This Tax in Washington and California

Tax Avoidance – Timber-Harvest Tax



Davis. 2013. Oregon Department of Forestry

Oregon’s “tax” supports the industry

C. Additional Money Is Extracted Through Negative Impacts on **Ecosystems**

Less Water

“Average daily streamflow in summer...with 34 to 43-yr-old plantations of Douglas-fir was

50% lower

than streamflow...with 150 to 500-yr-old forests.”

Perry and Jones. 2017.

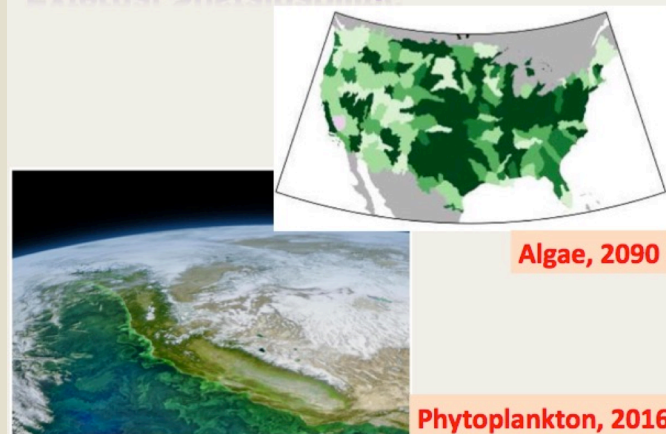
Warmer Water

“the impact of timber harvest on [maximum] stream temperatures...

1.3 degree [°C] increase on private timber lands.”

Oregon State University. 2011.

Risk of Toxic Water



Johnston (2017) courtesy NASA; Chapra et al (2017)

The Carbon-Cost from Logging Can Far Exceed the Value of the Logs

BLM Lands:

Social Cost of CO₂ Emissions vs. **Stumpage Price of Logs**

BLM's Estimate (2016):

4+ – to – 1

Revised Estimate (2018):

40+ – to – 1

BLM. 2016; Ricke, and others. 2018.

E. References

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- Oregon Department of Revenue. 2019. *Tax Expenditure Report: 2019-2020*.
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|---|---------------|
| 2.051 Environmentally sensitive logging equipment | \$7,100,000 |
| 2.056 Western Private Standing Timber | \$410,900,000 |
| 2.057 Eastern Private Standing Timber | \$26,100,000 |
| 2.058 Logging Roads | \$46,000,000 |
| 2.130 Western Private Forestland | \$104,800,000 |
| 2.131 Eastern Private Forestland | \$7,600,000 |
| Total | \$602,500,000 |
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