

To: House Revenue Committee

From: Clint Bentz, CPA

Date: April 17, 2019

Re: Opposition to HB 2495

Dear members of the committee:

My name is Clint Bentz and I am a CPA with 30 years of experience in the forest products sector, as well as being a small woodlands owner. Others testifying today are addressing specific flaws in HB 2495. I am here to rebut some of the economic analysis supposedly showing that the forestry sector is not paying its fair share in taxes and is otherwise harming our communities.

As others will testify, Oregon forest landowners already pay a much larger share of fire suppression costs than any of our neighboring states. Fighting fire is generally recognized as a responsibility of local government. We don't charge homeowners for the cost of putting out a fire that destroys their home, even when the fire is a result of their own negligence. As the general public and mother nature are responsible for starting most forest fires, it is not right or just to place the costs of putting out the fires on this specific group of landowners who also suffer the economic loss resulting from the non-insurable loss of their forest.

There are some making the claim that out of state industrial forest landowners are extracting \$1 billion or more a year from our forests through harvests, extracting another \$350 million from reducing worker wages, and \$300 million from their communities by not paying their fair share of property taxes while at the same time damaging our communities and ecosystem. These claims are false and misleading.

Roughly half of Oregon is forested. Of the 30 million forested acres, 110,000 private owners hold 10 million acres of forestland. Nearly all of these owners are Oregon residents. For comparison, 34,000 farmers own 16 million acres of Oregon farmland. The forest products sector annually generates \$12.7 billion in economic activity. Agriculture generates \$5.4 billion annually. Since the harvest of timber is considered Oregon source income, even if the owners are out of state Oregon receives income tax revenues from all sales of timber from private lands. Finally, timber owners are not "extracting" money from their forests, they are harvesting a crop which was planted 40-80 years ago and which they have been actively managing over the entire lifecycle.

Wages in the forest products sector have remained fairly constant on an inflation adjusted basis over the last 40 years and over all that time still exceed both median income and other industrial wages. As many of these jobs are in rural areas (unlike other manufacturing jobs which are concentrated in urban areas), these jobs far exceed median wages in their locations. Over the last 40 years, other industrial wages have grown faster than inflation due to the boom in technology manufacturing, but it is not fair or accurate to say that timber wages have been cut relative to other manufacturing jobs. One in 20 jobs in Oregon depend on the forest products sector.

Both forestry and agriculture earn their livings by the sound and sustainable management of their land. Most forest and agricultural lands have highest and best uses other than forestry or agriculture. Oregon has worked to sustain natural resource lands through restrictive zoning laws which limit the division of land into smaller parcels and special assessment programs which encourage and support the active

conduct of farming and commercial forestry on these lands by valuing the land as forest or farmland, rather than at their highest and best use. The tax expenditure report for 2019-21 says that the annual cost of this reduction for agricultural lands is \$198 million. For forestland this is \$55 million. Since most of the “higher value” lands are owned by small woodland owners, the bulk of this reduction in values is directed to them, not to the industrial landowners. In fact, the special use property values for timberland are based on actual industrial sales of commercial blocks of timberland. The special use value of agricultural lands is not based on sales of land to other farmers, but rather is based on its rental value to other farmers as farmland.

Oregon has not assessed the value of standing timber on the property tax rolls since 1977. There were two main reasons for stopping this practice. The first was that valuing 10 million acres of private timber each year is expensive and contentious given the wildly fluctuating values of timber, the unique growing characteristics of each property, and assumptions regarding the timing of harvests and resulting net present value of the timber. The second is that many landowners were liquidating their stands early to manage their property tax bills. This was counter to the State’s interest in sound forest management. In place of the timber being subject to an annual property tax, a 6.5% Severance tax at harvest was imposed.

In 1993 the Oregon legislature, in a series of legislative findings and policy statements, adopted the policy that standing timber should be treated as an agricultural crop and be exempt from the property tax entirely and as a result they phased out the Severance Tax.

The majority of the Oregon Forest Harvest Tax does support general government by providing funding for the Oregon Department of Forestry’s regulatory programs and forest research at Oregon State University.

Plantations and clearcuts do not create flammable landscapes. Well managed forests are fire-resistant. Witness the difference in burned acres between private and public lands.

35 municipal water systems source their water supply from forested watersheds. According to the Oregon DEQ, the highest water quality in Oregon occurs in forested watersheds, including those that have significant active management.

There is no linkage between toxic algae blooms and forest practices.

Logging timber does not release carbon. It locks the carbon up in long-term structures such as buildings. Forest fires and large-scale death due to insects and disease in non-managed forests do release carbon. As a result of good management, Oregon’s private forests capture and retain more carbon relative to other ownerships.