



*The League of Women Voters of Oregon is a 101-year-old grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.*

April 7, 2021

To: [Rep. Nathanson](#), House Revenue, Chair  
[Members of the House Revenue Committee](#)

Re: [HB 2379 -6](#) Severance Tax on Timber - **Support**

One of the League of Women Voters of Oregon's priorities for the 2021 session is to "to generate adequate revenue for essential services while promoting equity and **progressivity in tax policy based on the ability to pay, and that it be equitable, adequate, stable, easy to administer and as simple as possible. The League supports a tax system that recognizes the individual's responsibility for government services by providing for broad sharing of the tax burden.** Over the past several decades, we believe the industrial timber industry has not contributed its fair share in tax revenue to support public services because of our current timber tax system.

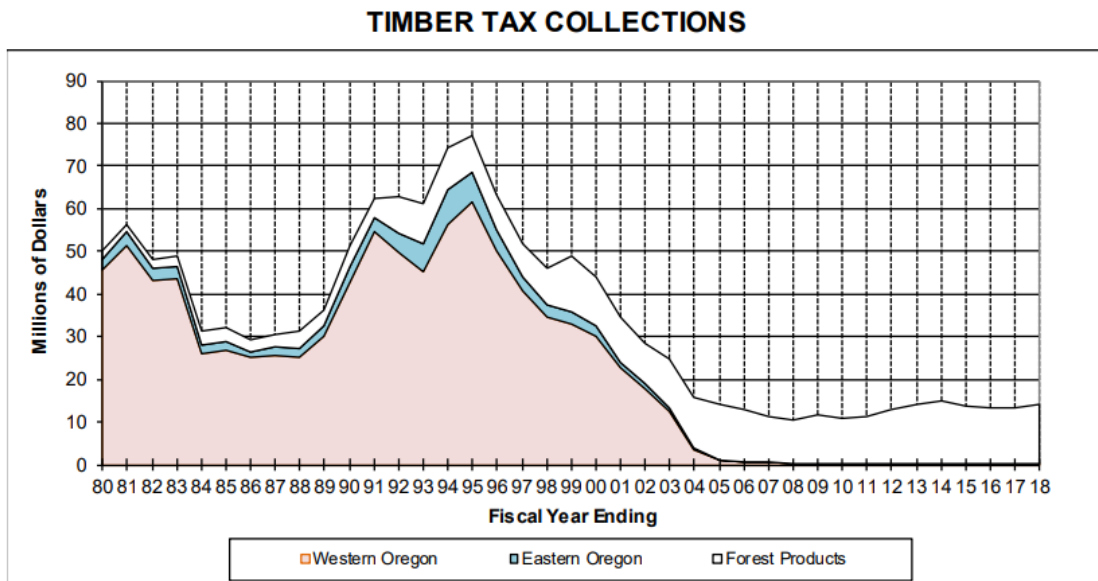
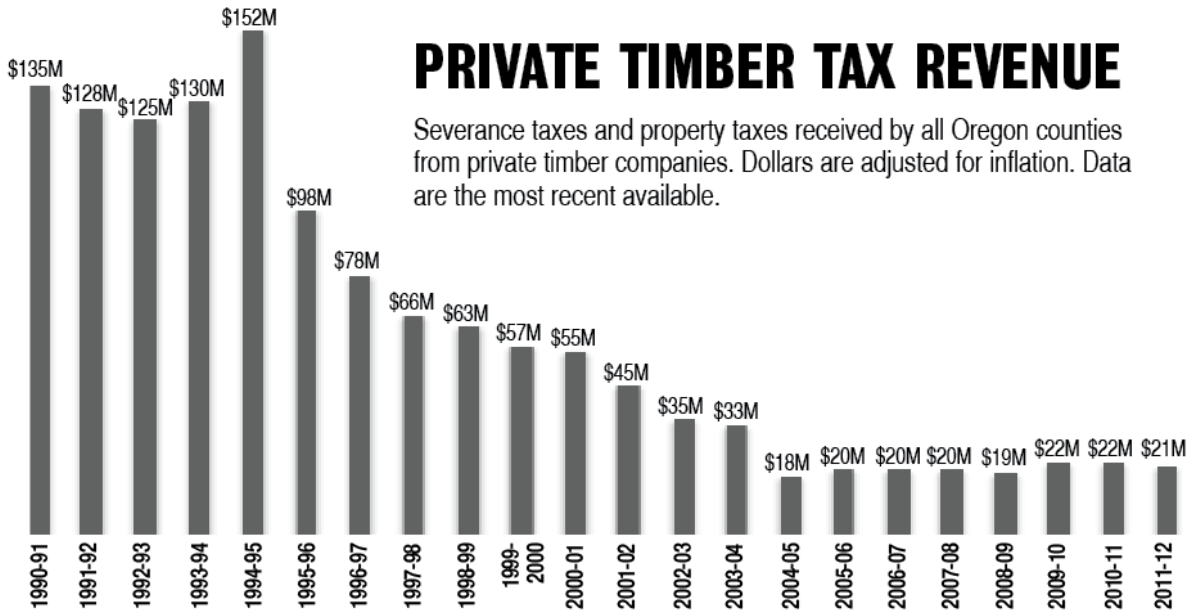
The **LWV supports HB 2379** because it will rectify an imbalance in taxation that has gone on since the 1990s with inadequate timber tax revenues. We believe more revenue should be returned to the counties, and support revenue for wildfire management and to support local fire districts with inadequate equipment and resources using a workforce corps doing work to create defensible space that helps prepare communities for wildfire within the Wildland Urban Interface in high fire risk forest areas, rather than primarily for fire suppression on large tracts of land everywhere a fire should occur. This is our understanding from reading scientific articles on the topic and because we are concerned with using our limited resources to get the best bang for our state dollars.

### **We support a timber tax based on timber value rather than one based on volume.**

Under our current 2020 Forest Products Harvest Tax (FPHT) of \$4.13 rate per thousand board feet (MBF volume) on lumber that has been worth between \$650-\$750 MBF in western timber prices over the past several years is a very low tax to pay. Today, lumber prices are running in the \$1000 range. \$4.13 on \$1000 is about a half percent that Oregon is collecting on timber harvests from the FPHT. It brings in an average of just about \$16 million per year. We support a timber tax based on timber value as Washington State has, rather than one based on volume. According [to LRO projections done for Rep. Holvey's bill HB 2379](#) (see bottom of page 18), Washington collects more than twice as much as Oregon does whether based on pond or stumpage values, compared to our flat volume rate, so changing over to a value tax system alone would bring in significantly more revenue to Oregon.

Rep. Holvey provided a presentation in 2019 and another one [with this bill](#) that includes a comparison between Oregon and Washington taxes. It showed that Washington brings in far more in taxes than Oregon does, despite the fact that we harvest more trees, and have higher-value timber. This is a fact.

There is other data from the Oregon Dept of Revenue, LRO special reports on timber taxation history, current tax documents, as well as this year's and older Basic Facts Oregon that show a great decline in timber tax revenue. I have included graphics in this testimony from [2019 Basic Facts](#).

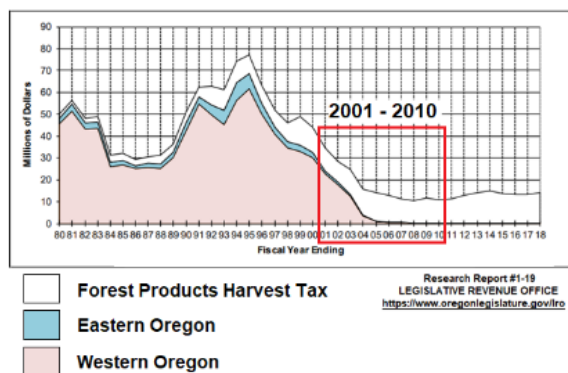


Oregon Dept. of Revenue, Research Section

**Research Report #1-19**  
**LEGISLATIVE REVENUE OFFICE**  
<https://www.oregonlegislature.gov/lro>

Looking at timber revenues over time *from all sources* below, you see all the bars in the graphic showing timber tax sources have shrunk. **The business excise taxes** are almost non-existent, while harvest levels have remained relatively constant at around 3.5 to 4 billion board feet per year over the same period of time.

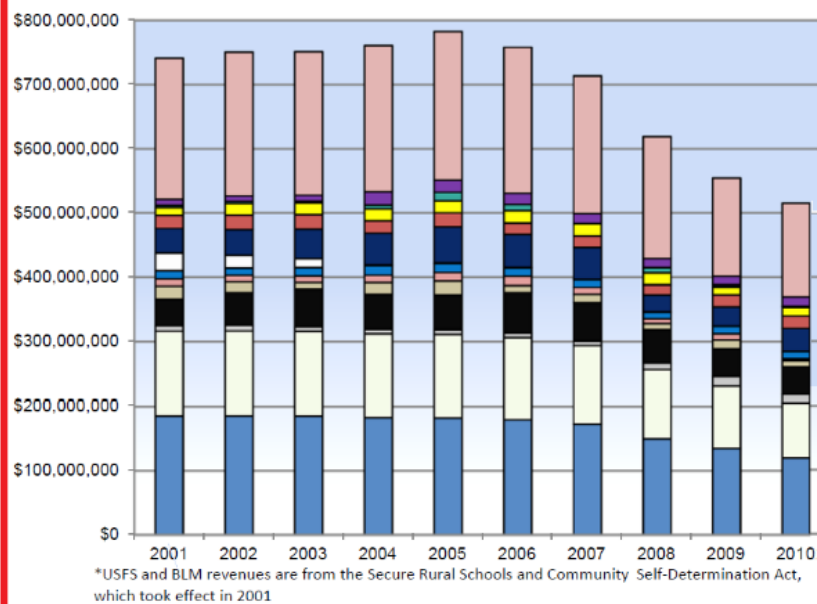
TIMBER TAX COLLECTIONS 1980-2018



TAX REVENUE FROM PRIVATE FORESTS

- Personal Income Tax
- Weight-Mile Tax Revenue
- Corporate Income and Excise Taxes
- Forest/Fire Protection Services Payments
- Forestland Property Tax
- Industrial Property Tax
- Privilege/ Severance Tax Receipts
- Forest Products Harvest Tax
- County Forest Land
- Common School Fund (CSF)
- Board of Forestry (BOF)
- Payments in Lieu of Taxes (PILT)
- Bureau of Land Management (BLM)\*
- USDA Forest Service (USFS)\*

Oregon Forest Revenues to State & Local Governments, 2001-2010



### Why tax now?

We have heard that “now is not the time to increase taxes on a hurting industry.” Wildfires have certainly had a devastating impact on some timber companies in the central and southern parts of the state and in small scattered areas elsewhere. The [Oregon Forest and Industries Council reported 356,120 acres](#) of private timberland, owned by both large and small forestland owners, was burned in the 2020 Labor Day wildfires. This seems like a lot of acres, but this is out of a total of [10,601,000 acres of total private forestland](#), according to the Associated Oregon Loggers, Inc. A full 97% of all private timberland ***was not affected by wildfire.*** Not all of this land is commercially harvestable, but much of it is. These private timber owners have been seeing record high prices that have doubled since 2019, due to high demand and short supply of timber from COVID restrictions. **Timber owners are harvesting as much as they can while the prices are high, including black wood.** This harvest has created jobs and has been good for independent loggers, operators and logging truck drivers as well. A harvest tax based on the value of timber would bring in revenue in these good times, and, when prices are low and there is less harvesting and while trees are growing on forestland devastated by wildfires for example, harvests would be lower and therefore taxes would be lower. **The tax applies only when trees are cut, not while they are growing.**

**Tax large commercial and corporate owners but exclude smaller acreage forest landholders.**

We would prefer to see the smaller acreage forest landholders that cannot support their families on the infrequent harvests from their forestlands be excluded from this new severance tax and small forestland owners with less total acreage and lower profits should pay no more than they pay now in timber taxes. But large commercial landowners and corporate owners with significant acreage who are experiencing good profits from the sale of timber are the ones who should pay this tax at 5% or more. Large commercial timber owners have been buying up **and consolidating forestland from small forestland** owners while reducing jobs through mechanization, and lowering wages and benefits to their employees, according to Oregon Employment Department reports. We think any value-based timber tax should be directed mainly to large profitable industrial timber owners and corporations that **currently pay no state personal or business income taxes and pay low property taxes, especially timberland that is owned by out of state investors.** These real estate investment forestland corporate owners (REITs and TIMOs) mostly reside outside Oregon, so therefore those businesses pay dividends to shareholders who pay income taxes in their own state or country. They need to contribute as well by paying the new severance tax. Note that the only Oregon timber companies owing a CAT tax are those with over \$1 million in sales in Oregon, which applies to only the very biggest timber companies and private owners. Commercial timber owners can certainly afford to pay more in taxes, just as they used to pay, and as they are doing now in Washington -- without cutting jobs. The large, well-paid workforce they used to have, is now more often contract and seasonal workers, and these workers will continue to be needed. Independent loggers, operators and others who are contracted out already pay income and excise taxes on their own businesses and are being squeezed by the large timber owners. The independent operators and truckers certainly benefit in jobs from the companies who own the timberland, but they will not be directly affected by the tax and will still be needed for timber harvest, replanting and maintenance. But it is market competition--timber prices and market demand--that create timber jobs, not low timber taxes. Let's not confound the issues with tax misinformation.

When timber owners do not pay their fair share to the counties, that means that costs are shifted to other taxpayers in the community. Many kinds of county jobs depend on property tax revenue. Many communities where timber is harvested have been financially impacted when their source of drinking water was polluted by timber practices from weak forestry regulation. These communities are now paying for costly remediation. **Timber owners who pollute need to contribute to the communities where they operate, and pay for services in their communities as others do.**

We support revenue funding in this bill to a pay for a variety of needs: county general funds, to the Watershed Conservation Grant Fund, for local fire districts, and to the Wildfire Management Fund for a wildfire workforce corps doing work to create defensible space that helps prepare communities for wildfire focused within the Wildland Urban Interface. We support the extra revenue for the Department of Forestry to administer and monitor the Forest Practices Act regulations, and we support the redistribution of OFRI funds to OSU and others for impartial, science-based climate-focused forestry education. We support a tax structure that allows for little or no taxes for owners with Forest Stewardship certification (FSC) because they are using long harvest rotations to sequester more carbon and use forest practices that reduce environmental impact.

We also want to point out that the MOU agreement [created by SB 1602](#) (2020 1<sup>st</sup> Special Session) has nothing whatsoever to do with taxes. The MOU agreement is about agreeing on forest practices regarding stream buffers and pesticides *to prevent federal lawsuits* by developing a Habitat Conservation Plan that will balance timber harvests with habitat for endangered species. These negotiations are completely unrelated to taxation issues, and there is no valid reason to "wait to see" how these negotiations turn out.

We support the concept of a severance tax based on the value of timber harvested, but the details as to how many acres of ownership are required to be subject to the tax, what forestry practices should be incentivized to protect future drinking water, and the distribution of the tax are details we think need to be

carefully reviewed by a range of stakeholders including timber owners, large and small, county officials and legislators. We support a task force dedicated to working out a fair and reasonable tax.

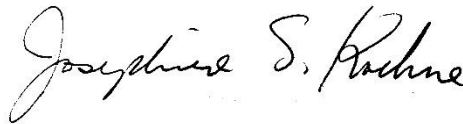
In closing, we would argue that forests are not just a commodity, a crop that only brings in income and revenue. Private forests serve other functions as well, as we all know, such as to preserve local forest soils, prevent landslides, reduce wildfire damage, preserve biodiversity, provide recreation, and most importantly to protect our watersheds for current and future drinking water needs.

Now is the “right time” to address timber tax legislation and we urge you to support HB 2379, but with an eye to making amendments to be sure these other issues are considered as well.

Thank you for the opportunity to discuss this legislation. We look forward to working with you and others to arrive at a fair and equitable solution to this issue.



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