

Chair Nathanson, Vice Chairs Pham and Reschke, and Members of the Committee

For the record, my name is JK and I am here today on behalf of the LWV of Oregon to support HB 2379 because it will rectify an imbalance in taxation that has resulted in inadequate timber tax revenues for Oregon since the 90s. We believe revenue should be returned to the counties, and should support a variety of critical wildfire management programs and other needs. We support a timber tax based on timber **value** rather than the current, outmoded one based on volume, which now brings in only \$16 million per year to support the industry, but does nothing for ordinary Oregonians. The timber industry has had **preferential tax treatment** for far too long.

Looking at revenues over time from all timber tax sources combined in LRO's 2019 Basic Facts Oregon, you see that tax revenues have all shrunk. **The business excise tax revenue** is almost non-existent, while harvest levels have remained relatively constant at 3.5 to 4 billion board feet per year over the same period of time.

Our current Harvest Tax is **\$4.13 per thousand board feet** on western lumber worth on average between \$6-750 per MBF, and now much more. This .6 percent is a **very low tax to pay**. According to LRO projections done for this bill, Washington state with 5% on value collects more than twice as much as Oregon does whether calculated 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.

We think that smaller forest owners should **not** be taxed any more than they pay now with the harvest tax, but large commercial and corporate timber owners with significant acreage (over 25 hundred acres), who are experiencing good profits are the ones who should pay this tax at 5% or even more. **These timber owners pay little or no business income or excise taxes and low property taxes, especially out of state real estate investors. Corporate profit-centered owners should pay the new tax.**

Commercial timber owners can certainly afford to pay more in taxes, just as they used to pay, and as they are paying now in Washington – without cutting jobs.

According to **Oregon Employment Department** reports, big timber owners have been buying up **and consolidating forestland from small forestland owners** while reducing jobs through mechanization, and lower wages and benefits to their employees. They rely more and more on contractors and seasonal workers. Independent operators, truckers and others pay income and excise taxes on their own businesses but they are being squeezed for profit by large timber owners who are not paying business taxes due to their corporate structure. Independent contractors certainly benefit in jobs from these large timber owners, but they themselves will not pay the tax, and they **will still be needed** for timber harvest, replanting, maintenance and hauling.

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. And when markets are down and less is cut, taxes based on value will be lower, unlike a fixed rate.

We support a value-based tax, but the details as to how many acres of ownership are required to be subject to the tax and what forestry practices should be incentivized are details we think need to be carefully reviewed by a range of stakeholders including timber owners--large and small. 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 have a role to play in preserving forest soils, preventing landslides, reducing wildfire damage, preserving biodiversity, providing recreation, reducing CO2 emissions and most importantly in protecting 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 other issues are considered as well.