

February 25, 2021

To: Rep. Brad Witt, House Committee on Agriculture and Natural Resources, Chair
Rep. Vikki Breese-Iverson, House Committee on Agriculture and Natural Resources,
Vice-Chair
Rep. Zach Hudson, House Committee on Agriculture and Natural Resources, Vice-Chair
Members of the House Committee on Agriculture and Natural Resources

From: Regan Fisher

Re: HB 2379 Timber Severance Tax – Support

Chair and members of the committee, thank you for the opportunity to testify today. My name is Regan Fisher, and I'm a resident of Multnomah County concerned about the effects of our current timber taxation policy on rural communities.

I am testifying in support of HB 2379 because it is clear that now is the time to reinstate the severance tax. I urge you to form a work group to explore the compelling points we've heard in support of reintroducing the tax. I also encourage amending HB 2379 to direct 100% of funds collected to county governments.

In the first two timber tax hearings, Chair Witt noted that it is critical that this committee investigate the public policy consequences of Oregon's timber tax system and whether the system is fair and sustainable.

Well, as the reporting by OPB and the *Oregonian* over the past several months has made clear, this current system is not fair and sustainable. Tax cuts for the timber industry have cost counties approximately \$3 billion over the past 30 years. That's a staggering amount of money that used to help fund schools, public libraries, sheriff's offices, and other services.

As some committee members and presenters have pointed out, there are other factors at play that have led to a decrease in revenue for local governments in recent decades, including the passage of Measures 5 and 50 and changes to logging rules on federal land. Oregon's timber tax system and county revenue sources involve a complicated web of issues—if this were straightforward, we wouldn't need all these hearings. But despite these other factors, one thing is undeniable: the elimination of the severance tax has had a terrible impact on counties' ability to pay for services for their residents. And this is now within your control to fix.

I heard another committee member stress that it is this committee's duty to determine the most appropriate source of revenue for these cash-strapped local governments. That is absolutely true. I would argue that reinstating the severance tax is the most appropriate fix. I can't imagine that the legislature would prefer to make up this shortfall by raising tax rates for individuals or small businesses—especially when a pandemic, devastating wildfire season, and steep decline in timber jobs in rural counties over the past several decades are already putting so much stress on residents. The fair and appropriate option is to look for where there's a precedent for raising tax

revenue—a precedent not only in Oregon, but also in many other timber-producing states, including our neighbors Washington, Idaho, and California. Reinstating the severance tax would mean restoring a commonly accepted system that helps local governments across the country serve their citizens. Eliminating it was an experiment that has objectively made things worse, and it's time to recognize that and correct course.

Further, reference to the Private Forest Accords as a reason to put off bringing back the severance tax is a red herring. These discussions and future plans are about bringing Oregon's inadequate environmental protection laws up to current accepted standards. They have nothing at all to do with tax fairness.

I've heard arguments in these hearings that reinstating the severance tax would be an unfair burden for timber companies to bear. But I don't consider companies paying taxes to be a "burden." Operating a business involves deriving benefits, or profits, as well as upholding obligations and fulfilling responsibilities. The opposition to this tax makes it sound like it's a cruel and unusual punishment. It's not. It's a standard, common practice for timber-producing states.

Another argument I've heard against the severance tax is that trees are a crop, and we don't make farmers pay the severance tax, so it shouldn't apply to timber companies either. It is disingenuous to refer to timber as a crop in the same vein as corn or wheat. These claims are like when the federal government's dietary guidelines counted pizza as a vegetable because it contains tomato sauce. Everyone knows that's ridiculous. It's twisting logic to make a point that fits somebody's agenda.

The harvesting of trees is drastically different from the harvesting of an apple or a strawberry, both in the amount of time a tree spends in the ground compared to an agricultural crop, and in the impact a tree and its removal has on its surrounding environment. Trees are not a crop—they are a natural resource. Trees are not like rows of corn growing in a stand-alone plot of land, and that you pluck and replant each year. Trees grow for decades and are inextricably tied to their ecosystem—they influence soil and water health, air quality, and slope stability. And their removal has an effect on these things—a detrimental effect. Logging operations involve extracting a natural resource out of the ground. This affects the entire ecosystem around the area where this natural resource, the tree, is located.

The whole point of a severance tax is for companies to compensate a state or local government for the privilege to undertake this natural resource extracting, and the money they pay should benefit the communities from which they're doing the taking. As we've read in the news articles and heard in these hearings, the communities where timber companies operate have a myriad of financial challenges. Each county knows best what its priorities are and what would most benefit its residents. That's why I advocate for reinstating the severance tax with 100% of the money it generates directed to the counties themselves, as was historically the case.

Thank you for your consideration.

Regan Fisher