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Testimony of HB2379 —The Timber Tax Severance bill

Colleagues:

Rural counties throughout Oregon have suffered a shortage of funds to support basic services for several years. One of the reasons for this has been dwindling income from timber. A historic review of the forestry funding base presented in Figure 1 identifies the trend and the problem.

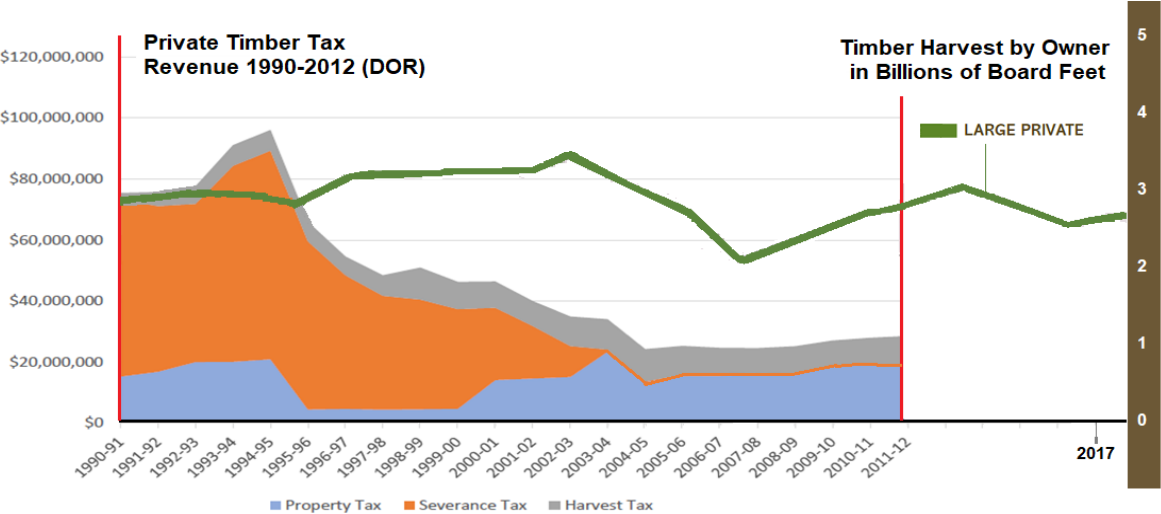


Figure 1 Trends in Oregon timber taxes during last three decades.

From a revenue peak in the mid-1990s, the income from timber harvest has dropped substantially. This drop in revenue has occurred even as the timber harvest has returned to levels experienced in the mid-1990s. Property taxes are a critical source of funds for police, fire protection, education, and other public services provided by local taxing districts, such as cities, counties, and schools. While revenue from the Harvest Tax and Property taxes, though fluctuating, have continued largely without change for several years (Figure 1), revenue from the Severance tax (Figure 2) has dwindled substantially. It seems reasonable to conclude that this drop has contributed considerably to the reduced county revenue and, more importantly, to the difficulty imposed on rural counties in terms of maintaining services. In 2018, Emily Green reported: “Oregon’s west-side county governments are collecting 85 percent less in tax revenue from private timber companies than they were in the early 1990s, while logging on private lands has remained largely unchanged.” <https://www.streetroots.org/news/2018/09/07/cut-and-run-dry-do-oregon-tax-laws-favor-timber-industry>

Since property taxes support the services listed above, this revenue is critical to maintaining adequate public services throughout rural Oregon. While revenue from timber harvest once contributed

substantially to support county services, as can be seen in Figure 3, the income has dropped profoundly over the last 30 years.

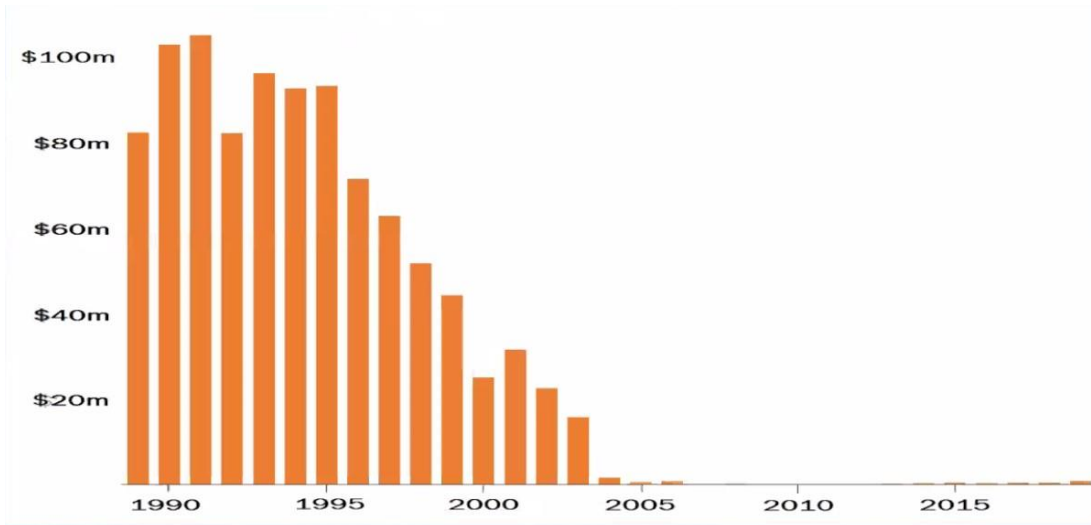


Figure 2 Trends in Oregon county revenue as property taxes were reduced and the severance tax largely phased out.

<https://www.opb.org/news/article/oregon-timber-logging-industry-data-investigation->

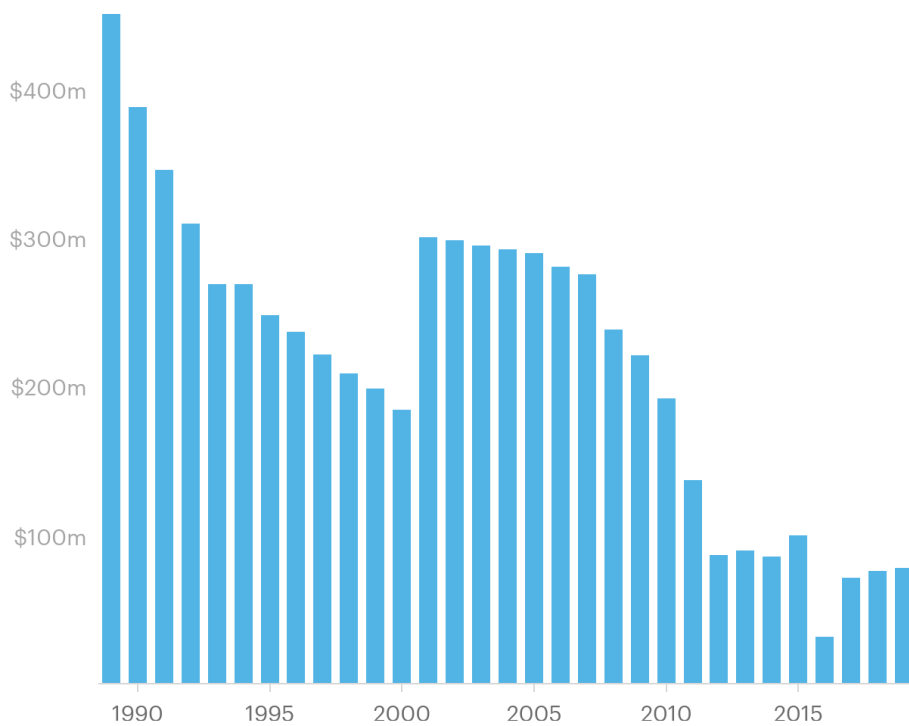


Figure 3 Loss of revenue to Oregon counties from federal timber harvest and subsidy payments.

<https://www.opb.org/news/article/oregon-timber-logging-industry-data-investigation-methods/>

While the concept of imposing taxes may be problematic to some Oregonians, it is critical to realize that the state is an outlier on the west coast in terms of revenue from timber harvest. Thus, while Oregon has 39% more forestland than Washington State and harvests 46% more timber, the revenue accruing to the state is 1/3<sup>rd</sup> that collected in Washington. Schick, Davis and Younes 2020 OPB/ProPublica, Dec 2020 <https://www.opb.org/news/article/oregon-investigation-timber-logging-forests-policy-taxes-spotted-owl/>. Schick et al (2020) pointed out that in order to retain its timber industry investment, Oregon lowered taxes and kept weak environmental protections in place on private forest lands compared to neighboring states. They continued: “Despite such concessions, the country’s top lumber-producing state has fewer forest-sector jobs per acre and collects a smaller share of logging profits than Washington or California.”

These authors further point out that Wall Street real estate trusts and investment funds have been taking over Oregon’s private forests and reaping the benefit of timber tax cuts that have cost Oregon rural counties \$3 billion over the last three decades. It’s worth stressing that the major benefits from the tax cuts have accrued not to Oregonians, but to investors living thousands of miles away from the state. They further note that: “Half of the 18 counties in Oregon’s timber-dominant region lost more money from tax cuts on private forests than from the reduction of logging on federal lands....”

It is evident that Oregon’s rural counties are losing out financially from the lax approach that the state has adopted *vis a vis* timber extraction. The purpose of the Tax fairness campaign seeking to restore a Severance Tax is to remedy this imbalance. (<http://www.taxfairnessoregon.org/timber-tax-fairness/>)

I recommend that the legislature reimpose a Severance Tax in Oregon on the value of cut timber (not board feet) with a 6.5% rate on the westside and 5% on the eastside. (Previous rates were 12.5% and 6.5% in Western Oregon and 5% for Eastern Oregon. Washington State tax rate is 5%). The tax should be imposed on all timber cut in the state, including harvests from federal, state, local and all private forestland greater than 3000 acres, except some tribal land.

Funds should be distributed as follows:

- 60% -- returned to Counties in proportion to timber harvest from each county, to be distributed as property taxes.
- 5% -- to develop a program for evaluation and enforcement of best forest practices for protection of drinking water within specific watersheds. Funding to DEQ to work on site with water districts, landowners, watershed councils, and the community to develop and implement a program based on best available science.
- 20% -- Water infrastructure, treatment facilities, watershed improvements and land acquisition to protect water intakes and drinking water resources – managed by Business Oregon as a grants program.
- 15% -- Community emergency preparedness in fire hazard zones to include home hardening, defensible space, and smoke adaptation. Provision of information, technical assistance, grants and financial assistance to low-income residents – managed by Oregon Housing and Community Services.

In order to encourage carbon sequestration, the program would include a tax incentive to extend the harvest rotation as follows:

- 50% reduction in tax for average stand age of 60 years or more;

- 75% reduction for average stand age of 70 years and
- 100% exemption for stands greater than 80 years as incentive for protection of rivers and streams from pollution and to ensure the safety of homes and communities by not logging on steep, unstable slopes, and not using broadcast toxic chemicals. Subject to repayment if the land is sold for development within 3 years of harvest.

Sincerely,

A handwritten signature in cursive script that reads "Alan Journet". The signature is written in black ink and is positioned below the word "Sincerely,".

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