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"Voice of forest management working families since 1969"

February 25, 2021

The Honorable Brad Witt, Chair
House Committee on Agriculture and Natural Resources
Oregon State Capitol
Salem, OR 97301

Subject: Timberland and Harvest Taxation - HB 2070, 2379, 2389 and 2430

Representative Witt, Vice Chairs Breese-Iverson and Hudson and Committee Members:

For the record, my name is Amanda Astor. I am here on behalf of the Associated Oregon Loggers (AOL) as their forest policy manager. AOL is the statewide trade association and voice of Oregon's forest operators, based in Salem. I am a forester with undergraduate degrees in forest management, forest biology and a graduate certificate in forest carbon: science, policy and management. I am a leader in Oregon Women in Timber, Oregon Society of American Foresters, Lane Families for Farms and Forests, and the Lane County Climate Advisory Committee.

Thank you for the opportunity to share my professional forestry perspective about four bills before the Committee concerning forest taxation. AOL OPPOSES HB 2379, 2389 and 2430 which are on the Committee's public hearing agendas for February 25. *We are neutral on HB 2070.*

Please accept these comments on behalf of AOL, that represents nearly 1,000 generational family businesses working daily to steward Oregon forests. These honorable small businesses, led by forestry professionals, employ more than 22,000 Oregonians who provide sustainable, state of the art, forest management services for Oregon's public and private forestlands, while producing economic stability for their communities and living wage jobs for their employees and families. Many of AOL's members are forestland owners as well.

The bills under consideration by the House Committee on Agriculture and Natural Resources would significantly damage these Oregonians! Through pride and integrity, independent family businesses deliver quality forestry support services including hazard reduction, fire protection, forest restoration, reforestation, road construction, recreation access, material transportation, harvest operations, silviculture services, consultation, and other forest management activities. AOL's members are a critical link in the forest product supply chain. The forest contracting workforce is comprised of over 17,000 employees in forestry contracting and transportation plus, an additional 4,500 employees that provide support for contractors, are immigrant workers or are self-employed owner operators.

These independent small businesses employ forestry professionals that include Certified Foresters and Oregon Professional Loggers. These natural resource experts are all opposed to tax increases and natural resource education program changes proposed by the bills in front of the Committee.

Brief Statements on HB 2379, 2389 & 2430

HB 2379 – OPPOSE: This is the most egregious of the tax bills on the Committee's docket. HB 2379 would not only enact a new flat rate timber severance tax, but would also repeal the forest harvest tax completely defunding critical work by the Oregon Department of Forestry, Oregon State University and

the Oregon Forest Resources Institute. This bill over simplifies the current timber tax system with no regard to beneficiaries of the tax nor recognition of Oregon's land use laws. A complete wholesale change to timber tax law as this bill proposes, should only be undertaken with adequate stakeholder engagement, with an appropriate timeline, with all of the relevant facts and include those that are experts in forest management, tax laws, land use laws and economics. As shown below, the current tax systems is working and the timber industry should not be required to bear the responsibility of making Oregon's finances, county finances, local districts' finances, or any other proposed beneficiary whole.

HB 2389 – OPPOSE: This is the second most egregious bill and it is clear the sponsors are unaware how the harvest tax is determined. State Forster Daugherty did an exceptional job in his testimony on 2/18 explaining how the harvest tax is determined. Eliminating the sunset on the harvest tax does not make sense because it is married up with general fund appropriations, harvest levels and more. Without this information, it is impossible to ensure that ODF will receive the funding required to complete its annual work plan and firefighting responsibilities along with determining timber operators' share of Forest Practice Act enforcement.

HB 2430 – OPPOSE: It is unclear as to why the bill reassesses the harvest tax every year rather than on the biennium. Current fiscal planning and appropriations are completed ever two years and thus this bill seems to make a change to the harvest tax decision making process that is inconsistent with other fiscal planning obligations of the Legislature.

Our Message to Legislators

A. Bills Would Disproportionately Impact Small Business and Working Families

Family forest businesses would be directly impacted by these bills because small businesses lack the ability to influence their markets. Albeit unintended, the proposals would affect small family forest businesses greatly.

New timber taxes place a burden on the entire forest sector—including small family forest businesses that manage and protect Oregon's forestland. AOL's members rely on a steady workflow at known and agreed upon rates. The proposed timber taxes would reduce the capital available for sustainable forest management.

Small family forest businesses conduct nearly all Oregon forestland management, therefore a tax on any portion of production would translate into a tax on forest sector small businesses.

Small generational businesses are intertwined as an essential weave in the fabric of Oregon's nation-leading forest sector. Nearly all Oregon forestland management is conducted by small family forest businesses. **When a tree seedling is planted, a forest restored, a tree thinned, a log harvested, a forest road maintained, or a forest fire fought—this management is done by a small family forest business.** More than one-third of all private forestlands (36% or 3.7 million acres) are owned by over 20,000 family forest landowners—by definition most are small businesses.

Small family forest businesses are in no-way immune to the adverse impacts of timber tax increases. Nearly all forestland management is conducted on an independent contractor basis by small outfits passed down from one generation to the next. New timber taxes would impact family forest small businesses in six very tangible and negative ways:

1. Small family forest businesses own 36% of all Oregon private forestland and would be subject to added tax cost.
2. Large forest landowners pass-on the added timber tax cost to contractors by reducing rates paid to those generational small businesses.
3. Small business closures would occur under the weight of declining profits. Cumulative pressure upon the small family forest businesses would induce greater consolidation in the small business

segments which would likely lead to larger forest contractors replacing small family-owned businesses.

4. New taxes on landowners lead to lower landowner investment in forest management activities that employ small family forest businesses.
5. Lower landowner income results in lower long-term investment in forest management by landowners resulting in:
 - a. lowered future forest productivity under less management,
 - b. higher losses to forest mortality from overcrowding, fires, storms and pests, and
 - c. greater land-use changes to non-forest uses.
6. New fire protection tax costs paid by landowners, would lead to less voluntary “first responders” in forest firefighting by family forest businesses and landowners—likely resulting in larger, more costly and impactful forest wildfires—a burden for all Oregonians.

B. Small Family Forest Businesses Are Underappreciated

A major component of Oregon’s forest fire protection militia are the small family forest businesses. Family forest management businesses are trained, equipped and regularly deployed as effective voluntary “first responders” on forest wildfires.

Small family forest businesses are a critical part of Oregon’s forest fire protection—through both contracted services and uncompensated “in-kind” firefighting. Such “in-kind” voluntary emergency response efforts of family forest businesses are mobilized frequently under-appreciated by far-away and unaware Oregonians. Any depletion of small family forest businesses would lead to weaker initial attack on wildfires resulting in more toxic smoke breathed in by all Oregonians and more habitat loss for threatened and endangered species across Oregon.

C. Current Forest Tax Structure Functions Well

Oregon’s forestry professionals and small family forest businesses understand their community responsibilities. The current forestland and timber tax programs incentivize private forest landowner investment in sustainable forest resources.

Unfortunately, these bills today are being driven by media publications and activist attacks on forestry, rather than the robust professional forestry body of knowledge in Oregon. This state has a vast cadre of forestry professionals unmatched in number and experience across America, including **Certified Foresters, Professional Loggers, and tenured natural resource professionals.**

D. Now is The Wrong Time to Further Burden Forestry

An extraordinary number of severe disruptions impacted small family forest business this past year, which makes today the worst time to enact new restrictions on small businesses.

The year 2020 was fraught with unprecedented impacts on family forest small businesses. Additional burdens on small business would lead to more small business closures and disinvestment that would trigger further consolidation into fewer larger businesses. Oregon’s forest future is more vibrant with a stronger small family forest business community—but these bills would disrupt this future.

The following unprecedented impacts on family forest small business during 2020—and the disruptive effects that continue today—warrant that today is the wrong time to further burden family business with added forestry encumbrances:

- A. COVID-19 labor and business restrictions, which reduced productivity, added uncompensated costs, diminished labor participation and causes business losses.
- B. COVID-19 impacted forest product markets, caused shutdowns, idling and added business losses.
- C. Labor shortages for skilled trades workers in forestry, transportation, forest construction, manufacturing—all worsened by the COVID-19 chaos—and compounded business losses.

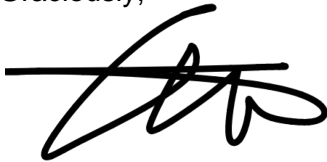
- D. The cold, snowy and wet winter of 2020-21 has slowed forestry field operations and added business losses.
- E. Wildfire shutdowns idled forest operations statewide for weeks, dictating that small businesses endure unprecedented and unprofitable absence of daily production for one to four weeks.
- F. Forest contractors who protect their communities as voluntary wildfire “first responders” are often uncompensated for their emergency response “initial attack” which has added to small business losses.
- G. Wildfire direct loss—mostly uninsurable—of \$100 million to Oregon forest contractor small business have resulted in capital losses to small business due to burned equipment, destroyed processed timber, idling, remobilization, replacement premium pricing, labor exodus and capital deficits.
- H. The newly-enacted CAT on gross receipts forces these unprofitable small businesses in 2020 were forced to borrow money to pay this new tax obligation—which added to their business losses.

Many in our forestry family say 2020 has induced generational changes to the forest sector. Capping a year that will have lingering fiscal shock on Oregon’s small family forest business—the Legislature now proposes to pile-on with additional tax and regulatory disruption to family businesses. Our opposition to these bills is clear.

These bills are wrong for Oregon’s forests, wrong for family business, and wrong for forest communities.

Thank you for your consideration of our professional forestry opposition to three of the bills before the Committee.

Graciously,



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