

HB 4055 A STAFF MEASURE SUMMARY

Carrier: Rep. Nathanson

House Committee On Revenue**Action Date:** 02/15/22**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 7-0-0-0**Yeas:** 7 - Levy, Marsh, Nathanson, Pham, Reschke, Smith G, Valderrama**Fiscal:** Has minimal fiscal impact**Revenue:** Revenue impact issued**Prepared By:** Jaime McGovern, Economist**Meeting Dates:** 2/1, 2/15**WHAT THE MEASURE DOES:**

Establishes statutorily determined segments of the forest products harvest tax (FPHT) retroactively to January 1, 2022, and effective for calendar years 2022 and 2023, as detailed below.

Sets rate to be transferred to Forest Research and Experiment account (OSU Research) at 90 cents per thousand board foot (MBF). Sets privilege tax for the purposes of administering the Oregon Forest Practices Act at 207.02 cents per MBF. Sets privilege tax for the purposes of investing in professional forestry education at the Oregon State University College of Forestry at 21 cents per MBF.

Requires consideration of FPHT rates to begin no later than March 10 of odd numbered years. Requires the Oregon State Forestry Department to provide timber harvest data to the Legislative Fiscal Officer and the Legislative Revenue officer upon request. Requires Legislative Revenue Officer to complete report on forest products harvest tax.

Instructs Department of Revenue to impose privilege tax on harvested timber, based on volume, estimated to collect \$2.5 million annually, sunset 2028, in the absence of an incidental take permit. Increases estimated target of annual collection to \$5 million once an incidental take permit has been issued consistent with the Private Forest Accord. Specifies funds from new privilege tax to fund the mitigation of the effects of forest practices. Caps total collections at \$250 million. Establishes that the earlier of (1) incidental take permit rejection or revocation and (1) \$250 million in collections as sufficient criteria for the cessation of the additional privilege tax imposed to mitigate the effects of forest practices, effective December 31st of same year. Establishes version of Private Forest Accord and its date of publication.

ISSUES DISCUSSED:

- History of FPHT rates.
- Connection to Private Forest Accord.
- Timing of timber harvest forecast.
- LRO reporting requirements.

EFFECT OF AMENDMENT:

Adjusts rates. Changes March 10 requirement from determination of biennial FPHT to consideration of biennial FPHT. Establishes sunset for new FPHT Tax, and sets alternative cessation criteria. Establishes version of Private Forest Accord and its date of publication.

BACKGROUND:

The Forest Products Harvest Tax (FPHT) has been historically assessed on harvest volume in Oregon. The tax rate consists of several independent rates. One of those rates is in statute, in perpetuity, unless the legislature chooses otherwise, set at 62.5 cents per MBF, produces revenues to administer fire suppression. Another rate, is

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set by the Oregon Forest Research Institute, subject to a statutory cap, indexed to inflation. The remaining rates have currently lapsed, and so are non-effective, but have historically been renewed each biennium to collect revenues related to OSU Forest Research, OSU Forest Education and the administration of the Forest Practices Act. The FPHT is applied to all harvest, regardless of whether the harvest occurs on public or private land.