



HB 4055A: For now, continuing the Harvest Tax is imperative

Testimony for the Senate Finance Committee – Jody Wiser – 2.24.2022

We hope you will pass this bill. Funding for the Oregon Department of Forestry's management of the Forest Practice Act will increase by 50% and funding for the OSU Forestry Department will more than double. Meanwhile a new tax to raise \$2.5M per year and later \$5M per year for mitigation efforts follows the agreements made by the parties to the new Private Forest Accord. All of this is appropriate.

But of course, just keeping the Harvest Tax with the small upticks in HB 4055A is not a permanent fix. It is not enough. We must deal with an industry that is in large part avoiding both property taxes on trees and income taxes. We expect a real timber tax bill in the 2023 session and are anxious to work toward that end.

This bill does not address the \$3 billion that the industry has avoided since the 6 ½% severance tax was dropped in a trade for an increase in property taxes that never happened. This loss of tax revenue was outlined by ProPublica, the Oregonian, and OPB. The loss will continue until this body reinstates a robust severance tax that funds the needs of the state and local jurisdictions. A severance tax, ranging from 6 ½ % to 12 ½% of harvest value was collected for decades. But 30 years ago the industry convinced the legislature to abandoned it. Only the small Harvest Tax in this bill remains.

We have also lost most corporate income taxes from Oregon's timber industry. Most of the industry players have reorganized their ownership structure as pass-through entities, REITS, or TIMOs. None of these business structures requires paying any corporate income taxes.

And at the same time the state has assumed more and more of the cost of fighting fire on private forest land.

An industry that once helped support the state is now draining our General Fund rather than helping fill it.

But for this short session, we are pleased to see that HB 4055A addresses the increases needed to fulfill requirements of the Private Forest Accord and keeps the industry paying at least this small tax rather than letting it lapse entirely.

This year, pass HB4055A. Next year, let's return to robust taxes on this industry.