

HB 4133 The Steiner wildfire tax proposal

House Revenue Committee – Jody Wiser – 2.13.2024



Due to climate change, wildfires of all sizes are increasing in both frequency and severity. In 2021, the year after the historic fires, the Legislature allocated an unusual \$220 million of General Fund resources for wildfire prevention and response.

Oregon's system of funding wildfire fighting and preparation for fires is inadequate to meet these new wildfire threats. A solution needs to be found to provide an adequate, reliable and sustainable source of funding to prepare for and protect Oregonians from wildfire.

Currently, the General Fund covers the greatest share of wildfire fighting costs, particularly in large fire years. Forestland owners help pay in two ways 1) through a portion of the Harvest Tax, and 2) through special property taxes, most commonly called "minimum lot," "improved lot," and variously called assessments for larger forestland parcels - "per acre," "base fire," or "forest patrol assessments."

HB 4133 is a proposal crafted in consultation with timber industry landowners. Not surprisingly, it would shift more of the cost of administration and firefighting from forest landowners to other taxpayers.

According to slide 9 of [Doug Grafe's presentation on Feb 13th](#), the result of the changes is that in a low fire years the General Fund will pay \$7 million more and landowners \$7 million less. In large fire years, the General Fund will see all the increased cost and no longer get participation in those costs from forestland owners.

This shift comes from:

- 1) Eliminating a portion of the per acre assessment called "the large fire forestland acreage assessment,"
- 2) By shifting money from "minimum lot" and "improved lot" assessments that currently are used for large fire funding, (via deposits to the Oregon Forestland Protection Fund (OFLPF)) to small or "base" fire protection. This shift would allow all other forestland owners to pay smaller per-acre assessments for fire protection, and
- 3) By directing use of the OFLPF away from large fire and to base fire resources.

The bill does minimally increase rates for "improved lots" and "minimum lots" and increases the portion of the Harvest Tax used for fires. But it directs all of the current and new funds from these assessments to supporting local fire protection districts.

These assessments currently help provide up to \$10 million a year of the costs of large, severe fires. They no longer will. The bill clearly says the OFLPF fund would be used to enhance the 12 fire district budgets for non-routine supplemental expenses, "but not for centralized

administration costs.” Thus both large fire and administrative costs would become the sole responsibility of the General Fund.

HB 4133 does modify a portion of the Harvest Tax. The tax brings in about \$16.4 million annually of which \$4.2 million is devoted to fire fighting. HB 4133 increases the fire protection portion from \$.62 to \$1.00/MBF, or from \$4.2 million to about \$7.1 million a year, and leaves all other distributions unchanged. The bill also proposes that the Emergency Fire Cost Committee be increased in size, composed mostly of large and small timber owners with increased powers to make rules, suggest budgets, and allocate funds from the diminished OFLPF to resources for the local fire districts with less agreement. The breadth of what this committee can do must be restricted to use of the OFLPF funds.

When HB 4133 increases the “minimum lot” and “improved lot” property tax charges. They have not been increased since 2007. In the bill **they are increased for inflation rather than for the actual fire costs**. The increases are from \$18.75 to \$27.55 for “minimum lots”, and from \$49.50 to \$69.50 for “improved lots.” While this is spoken of as an onerous 46% increase, for owners of small or residential forestland properties, the two combined would be less than a \$30 per year increase, to a new total of \$97.05 a year. Despite the fact that many large fire resources are spent protecting these smaller properties when there are threatening fires, legislators should note that the bill diverts the funds from the large fire protection, to base fire protection.

In addition, privately owned forest landowners would continue to pay only half the per acre assessments that publicly owned lands pay for this base or small fire protection.

We fail to understand why state, county or federal forestland should pay twice as much for fire protect as a neighboring property owned by Hancock or Weyerhaeuser. This chart from an Ernst and Young study commissioned by OFIC shows privately-owned forestry and logging industries’ estimated taxes paid in 2019.

Estimated Forest Industry state taxes, local property taxes, and fire assessments in FY 2019¹

(Amounts in millions)

Tax type	Forestry and logging (NAICS 113)
Property taxes	\$36.7
Forest Products Harvest Tax	\$16.4
Small Tract Forestland	\$1.2
Corporate income and excise tax	\$0.7
Individual income tax ²	\$4.2
Total Industry without fire assessments	\$59.3
Assessments for fire protection ³	\$28.9
Total Industry with fire assessments	\$88.1

¹ Does not include Corporate Activity Tax (effective in January 2020) or Paid Family Medical Leave payroll tax (effective January 2022) as these taxes were not in effect in FY 2019

² Individual income taxes only include taxes paid on income reported as pass-through business income. The amount of income from timber sales reported as a non-business capital asset can not be estimated and we have not included taxes on this income in this analysis

³ This includes an estimate of fire assessments and taxes paid by private landowners. It includes local Forest Protection District assessments and assessments that provide revenue for the state's Oregon Forest Land Protection Fund (OFLPF). Note that funding from the Forest Product Harvest Tax that is directed into the OFLPF has been subtracted to avoid double-counting since it is included as a severance tax. This estimate does not include in-kind contributions and resources for fighting fires by private landowners.

*Figures may not appear to sum due to rounding

The data shows that despite owning 10.4 million acres of commercial and small forest land and rural residential properties, the total taxes paid by these landowners is estimated to be only \$88 million, including property taxes, the Harvest Tax, corporate and individual income taxes and the assessments for both large and base fire protection that are currently collected as a part of their property taxes. Of that, \$33.1 million is for fire protection (\$28.9 of assessments and \$4.2 of the Harvest Tax), to protect roughly 10.4 million acres of private forestland of the 16 million acres protected by the Department of Forestry.

Timber companies in Washington pay significantly more in property and harvest taxes to the state’s general fund than they do in Oregon. This bill does nothing to address that fact.

According to an analysis from the Legislative Revenue Office in 2018:

WASHINGTON TIMBER COMPANIES PAID:	OREGON TIMBER COMPANIES PAID:
\$9 in property taxes per acre of private forestland	\$5 in property taxes per acre of private forestland
\$23.50 in severance taxes per million board feet of wood harvested	\$12.00 in severance taxes per million board feet of wood harvested

Tax Fairness Oregon conclusions

- The proposal marks the timber industry’s latest attempt to shift tax burdens to the public, a trend that started decades ago. When the legislature eliminated the severance tax, it intended to replace the lost revenue with increased forest property taxes. But Measures 5 and 50 undermined those increases.
- Of the millions devoted to fire protection, forestland owners payments would fall. They would substantially end participating in the costs of large fires and in the costs of centralized administration and the office of the State Fire Marshal. Meanwhile the General Fund contributions would need to cover all costs for large fires and all costs for administration of the fire preparation and fighting of large forest fires.
- According to DOR statistics, forestland owners as a group pay property taxes on only 16.4% of their Real Market Value, costing counties revenue that the State only partially offsets with the school funding formula.
- The bill provides that private landowners will continue to pay half as much for small fire protection as will public landowners. The rates should be equalized. If both administration and the large wildfires are to become the sole responsibility of the General Fund, then small fire protection should become the sole responsibility of landowners, beginning with them paying rates equal to the rates public landowners pay.
- The revenue from this bill will not provide an adequate, reliable and sustainable source of funding to prepare for and protect Oregonians from wildfire.

Additional TFO suggestions

- The severance tax should be restored as a source of revenue—for fire protection and local community services.
- REIT forestland owners pay no income tax and yet own more Oregon forestland than other private or corporate entities. They need to contribute more for their forestland wildfire protection and for community services than the modest harvest tax and the specially assessed property taxes they currently pay or will pay under HB4133.
- The Small Tract Forestland severance tax is roughly \$6.90 western and \$5.35 eastern per thousand board feet. The tax is unrelated to how many years the owner has paid only 20% of taxes. If a property leaves the program, owners repay no more than 10 years of avoided property taxes even if the property was in the program for 80 years. This program should be ended or structured like the senior and disabled property tax program, under which deferred taxes plus interest are due upon sale.

Of note: Timber owners in the west are making healthy returns, a ten-year average of 7.6% over the ten years from 2013-22, 2.3% more than the return on southern timberland. See: JP Morgan's TIMO Campbell Global Timber Primer Timberland Asset Class Overview shows Historic Returns 2013-2022 (Ten Years) U.S. West 7.6%, U.S. South 5.3%. Document available upon request of TFO.

For the history of shifting forestland ownership see: <https://tirllc.com/wp-content/uploads/2021/07/Timberland-Investments-A-Primer-2021-07-07.pdf>

We read the bills and follow the money