

WORK SESSION HB 2629
PUBLIC HEARING HB 2122, 2868

TAPES 90-A-B,91 A

HOUSE REVENUE COMMITTEE

MARCH 28, 2005 1:00 PM STATE CAPITOL BUILDING

Members Present: Rep. Tom Butler, Chair
 Rep. Vicki Berger, Acting Chair
 Rep. Mark Hass, Vice-Chair
 Rep. Sal Esquivel
 Rep. Larry Galizio
 Rep. Betty Komp
 Rep. Andy Olson
 Rep. Chuck Riley

Witnesses Present: Clark Seeley, Oregon Dept. of Forestry
 Hal Salwasser, Dean, College of Forestry, Oregon State University
 Ray Wilkerson, Oregon Forest Industries Council (OFIC)
 Kristina McNitt, Oregon Small Woodlands Assn.
 Dennis Day, Oregon State Assn. of County Assessors

Staff Present: Paul Warner, Legislative Revenue Officer
Lizbeth Martin-Mahar, Economist
Mary Ayala, Economist
Kristi Bowman, Committee Assistant

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002 Chair Butler Calls meeting to order at 1:05 p.m.

OPENS WORK SESSION FOR HOUSE BILL 2629

022 Rep. Boquist Provides update information from the ad-hoc committee workgroup. Comments that he and Rep. Riley “agree to disagree” and each have proposed amendments. Adds that the amendments have not yet been drafted by legislative counsel. Refers to pages 2 and 3 of the HB 2629-1 and -2 Amendment Table (Exhibit 1) pertaining to the amendment he is proposing.

043 Rep. Riley Discusses his proposed revenue-neutral amendment on page 1 of the Amendment Table (Exhibit 1).

058 Chair Butler General comments to committee regarding the work done by Rep. Boquist and Rep. Riley on HB 2629.

066 Rep. Boquist

Clarifies that both amendments are revenue-neutral in 2005-07 biennium.

- 068 Rep. Riley Adds that his proposal is revenue-neutral beyond 2007.
- 072 Rep. Komp Discussion exchanged with Chair Butler about the \$1.5 M threshold used in the 03/07/05 revenue impact statement (see Exhibit 2 for 03/07/05) as opposed to the \$2 M threshold used in the Amendment Table (Exhibit 1).
- 100 Lizbeth Martin-Mahar Adds that current law brings forward the entire estate value due to Oregon's connection to the maximum death tax credit in the federal law. The proposed amendments would set up a new taxable estate value above the threshold of \$2M. Refers to Amendment Table (Exhibit 1).
- 128 Rep. Riley Comments that the amounts used in the Amendment Table (Exhibit 1) were what the ad-hoc work group worked with.
- 139 Rep. Komp Clarifies that the tax is not due until tax year 2007.
- 157 Chair Butler In response to Rep. Komp's comments, there is no impact to the general fund in the current biennium with either amendment proposed.

CLOSES WORK SESSION FOR HOUSE BILL 2629

OPENS PUBLIC HEARING FOR HOUSE BILL 2122

- 170 Mary Ayala Gives background of HB 2122 (Exhibit 2). The bill extends the period in which the harvest tax on forest products is imposed.
- 203 Clark Seely Reads from written testimony verbatim (Exhibit 3) in support of HB 2122.
- 270 Rep. Boquist Comments that this bill was referred to the Revenue Committee by the Agriculture and Natural Resources Committee on 01/26/05, and the amount on line 14 of the bill was raised. Rep. Boquist will research the specific amount and report back to the Revenue Committee.
- 284 Hal Salwasser Paraphrases written testimony submitted in support of HB 2122 (Exhibit 4). Discusses the impact of the harvest tax on programs at the Forest Research Lab and the Dept. of Forestry's administration of the Oregon Forest Practices Act.
- 344 Chair Butler Asks if there is any information regarding the difference between reduced harvest production versus the increase of the operating costs of the Research Lab.

- 352 Salwasser Responds that in response to the reduction in harvest, the OSU forestry department has increased the number of programs in the Research Lab that are financed by grants and contracts. This approach still provides research capacity, but the research reflects what the person providing the funding wants to have done instead of what the state wants to have done. Comments that 67% of the Lab budget comes from external grants and contracts.
- 369 Chair Butler Asks if there is historical information available of MBF (per thousand board feet) harvest rate production, showing increases and decreases.
- 385 Salwasser Responds that the information provided in attachment 1 of Mr. Seely's testimony (Exhibit 3) show the trends of forest production. Comments about federal forestry practices in eastern Oregon.

TAPE 91, SIDE A

- 011 Ray Wilkerson Testifies in support of HB 2122. The OFIC supports the Forest Practices Act and the Forest Research Lab at Oregon State University. Comments that without a harvest tax increase Lab's funding will decrease.
- 038 Chair Butler Asks about OFIC's continued financial support of the OSU Research Lab, which is currently at 67 cents per board foot.
- 050 Wilkerson Responds that the OFIC will continue financial support of the Research Lab, but OFIC will need to review any increased expenditures for it.

- 060 Rep. Boquist Comments that line 14 in the bill would have to be amended in order to insert a specific amount.
- 075 Kristina McNitt Testifies in support of HB 2122. States that the harvest tax covers four programs: a commodity commission, the Forest Research Lab, fire protection, and administrative costs of the Forest Practices Act. Comments that the Small Woodlands Assn. is looking at other options and is not ready to commit to an increase in the harvest tax for these programs.
- 096 Chair Butler Asks if the 50/50 split of funding between the Forest Lab and the Forest Practices Act is acceptable to the Oregon Small Woodlands Assn.
- 100 McNitt Responds yes. Comments that additional review will take place after harvest yields are determined in May.
- 111 Chair Butler General comments to the committee about HB 2122 and HB 2629.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2122

OPENS PUBLIC HEARING FOR HOUSE BILL 2868

- 134 Ayala Gives background of HB 2868 (Exhibit 5). The bill modifies the dates by which an application for continuing qualification of forestland for

small tract forestland assessment must be filed following the sale or transfer of forestland. Explains current law requirements. Refers to

projected late fees to be received during the next two biennium in the Revenue Impact Statement (Exhibit 6).

- 168 Hass Asks where the late filing fees go.
- 170 Ayala Responds that the fees go to each county's general fund.
- 178 Dennis Day Testifies in support of HB 2868. Submits written testimony (Exhibit 7). Discusses the short "window of opportunity" for a new property owner to elect the option required by statute—30 days is not enough time to start processing the transaction. Discusses a possible solution stated in Day's testimony. Discusses consequences of the property owner not making the statutory election in the 30-day window following the sale or transfer of property. Discusses the late-filing program that would increase the amount of time for the landowner to make the statutory election and will also provide county assessors more time to process the transaction.
- 280 Chair Butler Asks about using the 30-day election period versus carrying over the same election from the previous owner.
- 285 Day Responds that this issue was discussed during the 2003-2004 Legislative Interim, and it couldn't be resolved. Defers to McNitt for further background.

- 294 McNitt Discusses previous hearings concerning the statutory election process. Comments that the reason there is an “active election” is that the Oregon Small Woodlands Assn. was advised by the Dept. of Revenue that the carry-over election from the previous owner wasn’t constitutionally protected under Measure 50.
- 318 Day Adds that it is important for new owners to make the election between the full forestland program and the 20/80 program. However, more time is needed for that election.
- 342 Chair Butler Asks Day about how the calculation of late fee is made.
- 355 Day Comments that because the legislation is so new, there has not been enough time to provide some history on the fee structure. Instead, Day surveyed other county assessors and found that there were 3-5 applicants per year per county that fall into the late fee calculation.
- 375 Chair Butler Discussion with Day regarding the late-filing penalty.
- 395 Rep. Berger Discussion with Day about scenarios of two filing dates.
- 428 McNitt Comments that the Oregon Small Woodlands Assn. had concerns about the 30-day filing period in the original bill. Comments about other concerns in the bill that need to be discussed with the county assessor’s organization.

- 033 Chair Butler Asks Rep. Berger to chair a work group to develop language for potential amendments.
- 038 Rep. Boquist Comments about the impact of the 30-day window on a new forestland owner not familiar with the election process based on his personal experience as a small forestland owner. Advocates an extension of the 30 day time period.

CLOSES PUBLIC HEARING FOR HB 2868

- 060 Chair Butler Adjourns meeting at 2:04 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2629, Handout: HB 2629 Amendment Table, Martin-Mahar, 3 pp., 03/28/05
2. 2. HB 2122, Staff Measure Summary, Ayala, 1 pg., 03/24/05
3. 3. HB 2122, Testimony, Seely, 4 pp., 03/28/05
4. 4. HB 2122, Testimony, Salwasser, 2 pp., 03/24/05
5. 5. HB 2868, Staff Measure Summary, Ayala, 1 pg., 03/24/05

6. 6. HB 2868, Revenue Impact Statement, Ayala, 1 pg., 03/24/05
7. 7. HB 2868, Testimony, Day, 1 pg., 03/28/05