

## HOUSE REVENUE COMMITTEE

MAY 6, 1999 ñ 8:15 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Members Excused: Chair Ken Strobeck

Rep. Max Williams

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Gary Wright, Oregon Dept. of Revenue

Don Schellenberg, Oregon Farm bureau

Tom Linhares, County Assessors Association

Wallace Rutledge, Oregon Dept. of Forestry

John Foster, Clackamas County Farm Forestry Association

Gil Riddell, Associated Oregon Industries

Terry Lamers, Oregon Small Woodlands Association

Ilene Waldorf, Oregon Small Woodlands Association

Ray Wilkeson, Oregon Forest Industries Council

**TAPE 174, SIDE A**

005 Vice Chair Rasmussen Called meeting to order at 8:30 a.m. Opened public hearing on SB 248.

**PUBLIC HEARING ñ SB 248-A**

012 Lizbeth Martin-Mahar Reviewed SB 248. Reorganizes the farm use statutes by placing them under subject headings but it does not change existing law significantly. Purpose was to clarify and simplify with no major policy changes. See Staff measure Summary (**EXHIBIT 1**).

SB 248-A4 amendments contain the sum of ñA3 and ñA2 amendments. See **EXHIBITS 2, 3, 4**. Revenue impact minimal. See Revenue Impact of Proposed Legislation (**EXHIBIT 5**).

045 Gary Wright Spoke in support of the measure. Dept. of Revenue, Oregon Farm Bureau, and County Assessors saw the need to draft this bill prior to 1997. Farm use bills were drafted in early 1960s and have been changed every legislative session since, with no reorganization of structure. Laws are very complex. SB 248 will reduce appeals due to improvements in interpretation. No substantive policy changes to existing laws. Reviewed handout (**EXHIBIT 7**).

098 Wright Gave history of reorganization process. Dept. of Revenue, formed working group in February 1998. Exhibit 7, page 5, lists the members.

136 Wright Page 6 lists members of review group. Urged committee to support this bill.

159 Don Schellenberg Spoke in support of the measure. See written testimony (**EXHIBIT 8**). Working group agreed at beginning that there would be no policy changes, only technical corrections. They held to that throughout the process. Urged support of this bill.

189 Tom Linhares Spoke in support of the measure. Concurred with Schellenberg's testimony that there were no major policy changes.

262 Vice Chair Rasmussen Thanked task force for their good work. Closed public hearing on SB 248. Opened public hearing on HB 2375.

**PUBLIC HEARING ñ HB 2375**

289 Lizbeth Martin-Mahar Reviewed ñ3 amendments (there are no ñ1s). See Revenue Impact of Proposed

Legislation (**EXHIBIT 9**); and Proposed Amendments to House Bill HB 2375 (HB 2375-3 amendments) (**EXHIBIT 10**). Bill cancels additional tax resulting from the disqualification of specially assessed farmland or forestland. 3 amendments list the circumstances by which tax can be cancelled. Effective Jan. 1, 2000. Revenue impact minor.

- 335 John Foster Spoke in support of the measure. Most forest land owners are taxed on their land's ability to produce productivity of trees and market value of timber when they sell it. This is not the same as the true market value. This bill is a fairness issue. Urged committee to support bill.
- 421 Foster Directed members' attention to Explanation Sheet (**EXHIBIT 12**). Oregon Small Woodlands Association and other interested parties support this bill. Urged committee to support bill.
- 442 Vice Chair Rasmussen Closed public hearing on HB 2375. Opened public hearing on HB 2114.

**TAPE 175, SIDE A**

**PUBLIC HEARING on HB 2114**

- 040 Richard Yates Gave overview of HB 2114 Forest Products Harvest Tax. Deals with funding with some programs in Dept. of Forestry: Service foresters who provide services to small, non-industrial forest land owners. Adds 17 cents per thousand board feet forest harvest tax, which would be dedicated to Dept. of Forestry for funding forest services program.
- Referred to bill, page 1, subsection 4: 17 cents tax. Page 2, may be expended only for assistance to non-industrial private forest landowners.
- 057 Yates Page 4, section 6, lines 31-32: Deletion of sunset date.
- Page 5: Effective July 1, 1999.
- 088 Wallace Rutledge Spoke in support of the measure. See written testimony (**EXHIBIT 18**) verbatim.
- Page 1: Funding for Assistance to Non-industrial Private Forest Landowners.
- 177 Rutledge Page 3: Western Oregon Small Tract Optional Tax (WOSTOT)
- 220 Rutledge Page 4: Reforestation Tax Credit
- Summary and Recommendations

255	Rutledge	Discussed attachments to testimony. Shows effects of increases in this bill.
272	All	Questions and discussion concerning attachments.
345	Rutledge	Task force sees this as short-term funding until they can agree on long-term funding. Dept. of Forestry and members on task force are committed to continue this work. They believe they can come up with long-term funding plan.
365	Rep. Welsh	Asked for explanation what will be done with those dollars. The assistance is to non-industrial private landowners, but the tax is on everyone. Bill also provides benefits to watershed, salmon, other programs. Should lawmakers impose this tax on only those who are harvesting, or should it come out of general fund?
382	Rutledge	Does not know answer to that. All landowners benefit from this program.
417	Terry Lamers	Spoke in support of the measure on behalf of the Oregon Small Woodlands Association, despite differences in opinion on funding mechanism. A long-term solution needs to be worked out to continue these programs. Asked for long-term policy regarding forestland taxes. Forest owners invest with no revenue for 50 years. Expressed concern with interpretation of "privilege tax". Believes it is a land tax. Expressed hope that interim task force will find a long-term solution.

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**TAPE 174, SIDE B**

034	Gil Riddell	See written testimony ( <b>EXHIBIT 19</b> ). Requested that the sunset not be removed, but be used as a means to continue the emphasis in search for a long-term solution.
052	Ray Wilkeson	<p>Spoke in support of the measure. However, Oregon Forest Industries Council has two observations:</p> <p>Bill deals with two distinct subject areas.</p> <ol style="list-style-type: none"> <li>1. Adds a new component to the harvest tax. Concerned with growth of harvest tax. It is becoming a catch-all because it is an easy tax to administer. Suggested amendment to delete the tax exemption for the first 25,000 board feet harvested.</li> <li>2. Funding of Western Oregon Small Tract Option Tax (WOSTOT) program. Administrative costs were paid from general fund for 30 years. Concerned with using a local resource to administer a state-run program.</li> </ol>
107	Yates	Questions concerning bill, page 2, line 12, (6) is what is proposed for deletion.

119	Wilkeson	Asked committee to consider delaying 25,000 board foot exemption for two years for administrative purposes.
132	Ilene Waldorf	Spoke in support of the measure. This bill is essential to small woodland owners. It sends a message to landowners that Oregon understands the risk of raising timber; and facilitates survival. Is a very stable program. Sunset creates an element of uncertainty to the landowners and to the Dept. of Forestry. Asked for removal of sunset.
178	Waldorf	Addressed landowner assistance. Small woodland owners benefit. Member of Landowner Assistance Task Force that is looking for long-term answers. Timber taxation in Oregon is changing rapidly. This bill would encourage small woodland owners to continue.
227	Rep. Welsh	Asked for details of task force. Follow-up questions.
235	Waldorf	Goal of task force was to define who needs services, who should be providing them, how they should be funded. Funding has always been a stumbling point. Forest industry opposes increase in harvest tax. Small woodland owners would like to see harvest tax greatly reduced.
302	Vice Chair Rasmussen	Closed public hearing on HB 2114. Adjourned meeting at 9:45 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 248, Martin-Mahar, Staff Measure Summary, 1 p.
2. SB 248, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 248 (SB 248-A2), 1 p.
3. SB 248, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 248 (SB 248-A3), 1 p.
4. SB 248, Martin-Mahar, Proposed Amendments to A-Engrossed Senate Bill 248 (SB 248-A4), 5 pp.
5. SB 248, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 248-A2, A3, and A4, 1 p.
6. SB 248, Martin-Mahar, Legislative Fiscal Office, No Expenditure Impact, 1 p.
7. SB 248, Wright, Senate Bill 248, 6 pp.
8. SB 248, Schellenberg, Oregon Farm Bureau, Testimony Before the House Revenue Committee, 1 p.

9. HB 2375, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2375-3, 1 p.
10. HB 2375, Martin-Mahar, Proposed Amendments to House Bill 2375, 6 pp.
11. HB 2375, Martin-Mahar Revenue Impact of Proposed Legislation, 1 p.
12. HB 2375, Foster, HB 2375 Explanation Sheet, 2 pp.
13. HB 2114, Yates, Revenue Impact of Proposed Legislation, 1 p.
14. HB 2114, Yates, Staff Measure Summary, 1 p.
15. HB 2114, Yates, Staff Measure Summary dated 2/4, 1 p.
16. HB 2114, Yates, Forest Products Harvest Tax Rates: History, 1 p.
17. HB 2114, Yates, Legislative Fiscal Office, Potential Fiscal Impact, 1 p.
18. HB 2114, Rutledge, Testimony Re: House Bill 2114 Stabilizing Fund for Technical Assistance to NIPFLO and WOSTOT Administration, 11 pp.
19. HB 2114, Riddell, Association of Oregon Counties, House Bill 2114: Funding Administration of WOSTOT & 30% Reforestation Tax Credit Programs, 1 p.