

~-: HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

FEBRUARY 24, 1993 8:00 AM HEARING ROOM E STATE CAPITOL BUILDING

Members Present: Representative John Schoon, Chair
Representative Ron Adams
Representative Tony Federici
Representative Delna Jones, Ex Officio
Representative Gail Shibley
Representative Greg Walden (10:59
departure)

Witnesses Present: Representative Bill Markham, District 46
Ward Armstrong, Oregon Forest Industries Council (OFIC)
Bond Starker, Oregon Forest Industries Council
Barney Dowdle, Professor of Forestry, University of Washington
Dr. Carl Newport, Mason, Bruce, and Girard, Inc.
Tom Linhares, County Assessor Columbia County
Ray Granvall, Cascade Appraisal Services, Inc.
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 038 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:13 a.m.

003 REP. BILL MARKHAM, District 46, testified against a severance tax on timber. He stated that one of the state's biggest problems is underproductive land because owners do not have the money to put their property back into production. He thinks that the perfect incentive to solve this problem would be to have no severance tax.
Discussion and comments.

034 WARD ARMSTRONG (with BOND STARKER) introduced the Oregon Forest Industries Council Forest Taxation Proposal (HB 2438) and Research Report, Exhibit 1. Since the report was quite lengthy, they explained briefly the different sections.

227 BARNEY DOWDLE testified in support of HB 2438 and introduced his statement, Exhibit 2. He stated that the provision in this bill, which treats timber as crop, is a major step forward in rationalizing Oregon's forest tax system.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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TAPE 039 SIDE A

001 PROF. BARNEY DOWDLE continued his testimony.
Questions and discussion with PROF. DOWDLE.

222 WARD ARMSTRONG offered an explanation on double taxation, which is unique with forest lands.
Discussion continues.

268 DR. CARL NEWPORT testified with regard to Analysis of AfterTax Values of Forest Land and the Related Severance Tax Rate Equivalent to a 1.5 Percent Ad Valorem Tax on the Land, Tab 5, Exhibit 1.

TAPE 038 SIDE B

001 DR. NEWPORT continued with his testimony of forest land values. He used the Modified Dowdle Model for his calculations and applied the results to Eastern Oregon's acres of productive forest land to determine an average equivalent severance tax rate.

Discussion and questions.

TAPE 039 SIDE B

001 DR. NEWPORT offered more testimony in support of HB 2438. Using the most current information about stumpage prices, expected harvest yields, and management costs, he defined how he developed the after-tax values.

Discussion and questions.

277 CHAIR SCHOON recessed at 9:53 a.m. and reconvened the meeting at 10:30 a.m.

Discussion continued with regard to stumpage classifications.

333 TOM LINHARES testified in support of HB 2438. He agrees that farms and forest lands should be taxed equally.

TAPE 040 SIDE A

001 TOM LINHARES continued his testimony.

Discussion and questions.

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105 TOM LINHARES quoted a Department of Revenue analysis that, on the west side of the state, the assessed value of properties under forest land special assessment will decrease by over \$1 billion.

Questions and discussion.

165 DICK YATES interjected a relative comparison of the rates of severance taxes and how they are distributed to school districts.

Questions and discussion.

266 TOM LINHARES followed up with this discussion. He stated that many school districts are under the cap in forest lands districts. Consequently, these districts would experience a significant reduction in revenue.

Discussion and questions.

TAPE 041 SIDE A

001 TOM LINHARES continued his testimony with regard to forest land assessments in Columbia County.

Questions and discussion.

026 DICK YATES stated that the intent of the law is that land values are spread over twenty years.

041 WARD ARMSTRONG (with RAY GRANVALL) clarified the 20/80 split.

058 RAY GRANVALL was asked by OFIC to report on the TransactionSB used Forest Land Value Study, Tab 6, Exhibit 1. Based on his analysis of forest land transactions collected for this study, he concluded that the value of bare forest land in Eastern Oregon would not exceed \$80 per acre. He also presented Forest Lands Value Trends in Western Oregon, Tab 7. When the stumpage market collapsed in 1980, land prices followed.

Questions and discussion.

246 CHAIR SCHOON adjourned the meeting at 11:25 a.m.

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Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Oregon Forest Industries Council Forest Taxation Proposal (HB 2438) and Research Reports, Ward Armstrong, Oregon Forest Industries Council.
2. Statement in Support of HB 2438, Barney Dowdle, Professor of Forestry, University of Washington.

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