

Public Hearing HB 2438
HB 2177, HB 2057
B2240, HB 2245
Tapes 42-43 A/B
44-45 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

MARCH 2, 1993 8:00 AM HEARING ROOM A 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

Members Excused: Representative Greg Walden

Witnesses Present: Rick Main, Oregon Department of Revenue (DOR) Tom Roose,
Oregon Department of Revenue Ray Craig, Department of Forestry (DOF) Joe
Misek, Department of Forestry Steven J. Jacky, Department of Forestry K. C.
Vannatta, Tree Farmer, Rainier, Oregon Ray Wilkeson, Oregon Forest
Industries Council (OFIC) Ward Armstrong, Oregon Forest Industries Council
Ron Chastain, Chastain Economic Consulting Larry Ginstina, Ginstina Land
and Timber Steven Archer, Willamette Professor of Economics and Finance
Julie Brandis, Oregon Small Woodlands Assoc.

Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 042 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:07 a.m.

002 CHAIR SCHOON opened the public hearing on HB 2057, which changes the
reporting period for all timber taxes from every six months to once each
calendar year.

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

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015 RICK MAIN (with TOM ROOSE) described how the bill would change the
filing periods and would change the definition of taxpayer for all three
timber tax programs. It would also allow the timber industry to make an
election for certain size corporations as to how they want to report
certain log purchase information.

Discussion and questions.

090 CHAIR SCHOON closed the public hearing on HB 2057.

099 CHAIR SCHOON opened the public hearing on HB 2438.

102 CHAIR SCHOON closed the public hearing on HB 2438.

111 CHAIR SCHOON opened the public hearing on HB 2240, which removes sunset
date for continuous funding of Western Oregon Small Tract Optional Tax
forest land special assessment program from the Western Oregon Timber Tax

Account.

116 RAY CRAIG (with JOE MISEK) testified that the program provides incentive to invest in and manage forest land. Forest lands that are well managed provide a multitude of benefits to all Oregonians.

Discussion and questions.

191 JOE MISEK explained that the bill helps insure Oregon's private forest lands produce a forest for Oregon's future.

Discussion and questions.

268 RAY CRAIG added that the program is good for schools because of the severance tax and the way it is distributed. Future benefits to schools would be tremendous.

Discussion and

questions.

323 CHAIR SCHOON closed the public hearing on HB 2240.

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327 CHAIR SCHOON opened the public hearing on HB 2245, which increases forest products harvest taxes for purposes of financing Oregon Forest Practices Act and industrial fire prevention program.

336 STEVEN J. JACKY began his testimony in support of the bill. Without the reauthorization and the setting of a rate under this bill, this source of funding terminates June 30, 1993.

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001 STEVEN J. JACKY continued his testimony in support of HB 2245.

Questions and discussion.

165 K.C. VANNATTA offered an explanation on measuring timber.

Questions and discussion.

230 RAY WILKESON supports the continued 60/40 split. He suggests the committee look at a cost sharing plan so that timber owners who do meet the fire standards do not pay the same as those who do not.

Questions and discussion.

TAPE 042 SIDE

B

001 Discussion continues on HB 2245 with RAY WILKESON.

101 REP. SHIBLEY, Acting Chair, closed the public hearing on

HB 2245 and opened the public hearing on HB 2177, which increases the rate of forest products harvest tax.

104 DICK YATES gave background information on HB 2177 and explained Exhibit 4, Fire Protection and FHPT History.

146 WARD ARMSTRONG gave testimony on HB 2177. He offered information on the purpose for which this tax is used, which is the OSU research laboratory.

Questions and discussion.

255 REP. SHIBLEY closed the public hearing on HB 2177.

256 REP. SHIBLEY reopened the public hearing on HB 2240.

260 JULIE BRANDIS gave her support for HB 2240. She explained that many non-industrial timber landowners consider Western Oregon Severance Tax their greatest incentive to maximize production.

280 REP. SHIBLEY closed public hearing on HB 2240.

282 REP. SHIBLEY related that CHAIR SCHOON had suggested the committee take a tour of forest lands.

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322 CHAIR SCHOON recessed at 9:40 a.m. and reconvened at 10:05 a.m.
32S CHAIR SCHOON opened the public hearing on HB 2438, which sets land values for forest land.

329 RON CHASTAIN offered background information on the taxes of different crops. He gave an explanation of the revenue impact of timber taxation and introduced Exhibit 6, which shows the effects of timber taxes on school districts.

TAPE 043 SIDE

B

001 RON CHASTAIN continued his testimony.

Questions and discussion on HB 2438.

221 DICK YATES added that the changes involve two things: a reduction in the severance taxes and the percentage of value of the land that goes on the property tax rolls.

Questions and discussion with RON CHASTAIN.

315 RON CHASTAIN provided an example on the board Exhibit 7, to show how school districts are effected.

Questions and discussion.

TAPE 44 SIDE A

001 Discussion continues with RON CHASTAIN.

075 DICK YATES clarified that land taxation is already under Measure 5 and that will continue. The question is what will the land values be?

109 RON CHASTAIN responded to a question by REP. SHIBLEY about stumpage prices and double taxation.

Questions and discussion.

333 K.C. VANNATTA has been a timber owner for 50 years. He believes that timber should be considered a "crop" and that this tax legislation is the proper approach to the timber problem.

TAPE 045 SIDE

A

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001 K.C. VANNATTA continued with his testimony on HB 2438.

Questions and discussion.

097 LARRY GINSTINA believes that timber should be listed as a "crop." Today, timber is not a good investment because of the taxes. He supports HB 2438.

153 STEVEN ARCHER was asked by the Oregon Forest Industry to ! demonstrate the rate of return for investment in timber lands. In his study, he has

estimated the rate of return to prospective tree farmers to range from about 5.2 to 6.8 percent, depending upon land sites.

221 CHAIR SCHOON adjourned the meeting at 11:24 a.m.

Mary Gottlieb, Committee Assistant

Kimberly Taylor , Office Manager

EXHIBIT SUMMARY

1. HB 2240 - WOSTOT/Tax Credit Funding, Ray Craig, Department of Forestry.
2. HB 2245 - Forest Products Harvest Tax, Steven Jacky, Department of Forestry,
3. Copy of ORS 321.016, Dick Yates, Legislative Revenue Office.
4. Fire Protection and FHPT History, Dick Yates, Legislative Revenue Office.
5. Testimony on HB 2240, Julie Brandis, Oregon Small Woodlands Association.
6. Effects of \$20 Million Offset Reduction on K-12 Schools in 199394, Ron Chastain, Chastain Economic Consulting.
7. Written Example, Ron Chastain, Chastain Economic Consulting.
8. HB 2438, K. C. Vannatta, Tree Farmer.
9. Oregon Forest Land and Timber Taxes and Assessments, Joe Misek, Department of Forestry.
10. Forest Land: Revenue Impact of HB 2438, Dick Yates, Legislative Revenue Office. -
11. Fiscal Impact Assessment on HB 2438, Legislative Fiscal Office.

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