

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

MARCH 9, 1993 8:00 AM HEARING ROOM C 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
Witnesses Present: Rich Pepper, Oregon Public Employees Union (OPEU)
Jim Manary, Department of Revenue (DOR)
Julie Brandis, Oregon Small Woodlands Association (OSWA)
Gary Carlson, Oregon Small Woodlands Association
Linc Cannon, Oregon Forest Industry Council (OFIC)
Craig Hanneman, Willamette Industries
Ward Armstrong, Oregon Forest Industry Council
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 048 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:17.
002 CHAIR SCHOON announced that there would be no work session on HB 2058.
006 CHAIR SCHOON opened the work session on HB 2921.
009 DICK YATES offered an overview of the bill.
Questions and discussion.
035 RICH PEPPERS testified in opposition to HB 2921. After polling the members of OPEU, it was found that most of the members contributed to political activities. The union believes that the tax credit is fulfilling its purpose of increasing the level of political participation in the state.

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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Questions and discussion.
188 DICK YATES introduced Exhibit 2, Summary of Campaign Contributions, and gave an explanation of the figures.
Questions and discussion.
263 JIM MANARY testified with regard to the fiscal impact of HB 2921 on DOR. He responded that the 1992 figures were not available.
Questions and discussion.

379 MOTION REP. WALDEN moved that HB 2921 pass and be recommended to the full committee.

385 VOTE The motion passed 3-2. Ayes: REP. ADAMS, REP. WALDEN, REP. SCHOON Nos: REP. SHIBLEY,

REP. FEDERICI Excused: REP. JONES

TAPE 049 BIDE A I

001 CHAIR SCHOON opened the public hearing on HB 2438.

011 CHAIR SCHOON called a recess at 8:45 a.m. and reconvened at 9:10 a.m.

020 JULIE BRANDIS (with GARY CARLSON) testified in support of

HB 2438. Her organization believes that timber is a "crop" such as wheat or corn and that this bill is a step in the right direction

to fair taxation.

052 GARY CARLSON related that' in the past, timber harvest was

from first growth. He stated that the OFIC report (Exhibit 1, February 24, 1993) was an excellent picture of the timber industry

today.

Questions and discussion with GARY CARLSON and JULIE BRANDIS.

399 LINC CANNON (with CRAIG HANNEMAN) responded to several questions posed by the committee. He offered an explanation for the 20/80 split and the site index.

TAPE 048 BIDE B

001 Discussion continues with LINC CANNON and CRAIG HANNEMAN.

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043 LINC CANNON introduced Exhibit 5, West Side Douglas Fir Site Index Summary. He also brought the committee's attention to the OFIC report with regard to timber and land values.

135 CRAIG HANNEMAN responded to a question from CHAIR SCHOON by stating that Willamette Industries acquired the Bohemia Plant because the company is 50 percent dependent on external sources for wood fiber to sustain the mill's operation.

Questions and discussion.

271 WARD ARMSTRONG testified that this bill is critical because it gives the timber industry the greatest opportunity for economic growth. OFIC believes that this bill would raise revenue and not cost the General Fund.

Questions and discussion.

TAPE 049 SIDE B

001 LINC CANNON referred the committee to Section 9 of the OFIC report showing Western and Eastern Oregon per acre taxes.

Questions and discussion.

104 CRAIG HANNEMAN stated that the DOR report indicates that there would be a \$1 billion reduction in forest land assessed value to the extent that only the education portion of taxing districts are effected by Measure 5.

Questions and discussion.

201 WARD ARMSTRONG responded to REP. ADAMS' question by stating there are no other bills that contribute to the accumulative impact of local government. In the opinion of the OFIC, this bill is the best balance and the best single tax system for the majority of forest lands.

Questions and discussion.

280 DICK YATES related that the DOR should advise the assessors to use Measure 5 tax rate limits in place of the severance tax. The result would be a statutory severance tax of 6.5 percent

Questions and discussion.

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001 Continued discussion with DICK YATES with regard to timber values and revenues from timber.

036 WARD ARMSTRONG suggested that part of the tax shortfall is taken care of by mills, timber, and other property in those districts.

Questions and discussion.

075 DICK YATES reported that, for the nonschool rate, there will be tax shift, but the net shift to the taxpayers will not change.

097 CRAIG HANNEMAN stated that the \$10 million shortfall is overstated because they are dealing with old figures. The severance tax rate will yield more dollars.

Questions and discussion.

136 WARD ARMSTRONG presented Section 10 of the OFIC Report, which compares the 1991 timber and timberland property tax treatment in the major timber states.

Questions and
discussion

194 DICK YATES introduced Exhibit 6, Forest Land Revenue Impact of HB 2438. He offered an explanation of how the figures were computed.

TAPE 051 SIDE A

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001 DICK YATES continues his testimony of timber tax values and revenue impacts. -

Questions and discussion.

284 LINC CANNON responded to REP. FEDERICI's question about stumpage values. The more you shift onto severance tax; the more revenue will be raised.

Questions and discussion.

376 CHAIR SCHOON adjourned the meeting at 11:27 a.m.

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Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony on B2921, Rich Peppers, Oregon Public Employees Union.
2. Summary of Campaign Contributions, Dick Yates, Legislative Revenue Office.
3. Fiscal Analysis of Proposed Legislation HB 2921, Legislative Fiscal Office.
4. Testimony on HB 2438, Julie Brandis, Oregon Small Woodlands Association.
5. West Side Douglas Fir Site Index Summary, Linc Cannon, Oregon Forest Industry Council.
6. Forest Land: Revenue Impact of HB 2438, Dick Yates, Legislative Revenue Office.