

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

MARCH 15, 1993 9:00 AM HEARING ROOM 137 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: Rick Main, Department of Revenue (DOR)
Tom Roose, Department of Revenue
Julie Brandis, Oregon Small Woodlands
Association (OSWA)
Gary Carlson, Oregon Small Woodlands Association
Linc Cannon, Oregon Forest Industry Council (OFIC)
Joe Misek, Department of Forestry (DOF)
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 055 SIDE A

001 CHAIR SCHOON called the meeting to order at 9:15.
013 CHAIR SCHOON opened a work session on HB 2057.
014 RICK MAIN (with TOM ROOSE) testified in support of HB 2057, which
changes reporting period for all timber taxes from every six months to once
each calendar year. RICK MAIN introduced Exhibit 1, Timber Taxpayer.
112 DICK YATES offered background information with regard to the sunset
date.
131 RICK MAIN explained that at times DOR cannot identify the timber
taxpayer. To illustrate his point, RICK MAIN drew three examples on the
blackboard, Examples 2, 3, and 4. DOR wants to be able to identify the
taxpayer without difficulty or litigation.
Questions and discussion.

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 056 SIDE A

001 Discussion continues with RICK MAIN.
005 TOM ROOSE commented that the basis of taxable value is determined by
qualification. An industrial owner, someone owning 10 percent or more of a
processing plant, has to file under the standard system. Anyone owning less
than 10 percent would qualify for the small owner election. He believes
that the law needs clarification so everyone is aware who has the tax
liability.
Questions and discussion.
041 RICK MAIN presented comments on who is the legal taxpayer and the
administration problems to DOR. Everyone should be aware of who is the

landowner, and that the landowner is the responsible party.

Questions and discussion with TOM ROOSE and RICK MAIN.

112 RICK MAIN explained that DOR has tried to educate the timber growers, but most of the problems come from the once-in-a-lifetime harvesters.

Further discussion and questions on HB 2057.

162 TOM ROOSE stated that the landowner is customarily taxpayer. DOR is proposing nothing to change how the tax is determined, what amount of tax is paid, or who pays that tax. DOR's proposal would help avoid administrative problems.

Discussion and questions.

192 RICK MAIN agreed with TOM ROOSE that many once-in-a-lifetime harvesters end up with nothing. Many get poor advise.

Questions and discussion.

246 JULIE BRANDIS (with GARY CARLSON and LINC CANNON) testified in opposition to HB 2057. Her organization believes the problem of who is liable for taxes can be solved by assigning the tax liability to the timber owner identified on the DOF's notification permit.

330 GARY CARLSON proposes an amendment to the bill by adding a reference identifying the owner of the timber as stated in the DOF Forest Operations Notification Permit.

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377 LINC CANNON identified eight major issues and found compromise positions on five. The only issue to be resolved is the landowner issue.

TAPB 055 SIDE B

001 LINC CANNON continued with his testimony.

Questions and discussion.

058 RICK MAIN (with TOM ROOSE and JOE MISEK) stated DOR's opposition to OSWA's proposal.

062 TOM ROOSE feels that the statute is transitory as it exists, and if it is broadened further, it would create or add to the problems that exist now. DOR would like to return to the timber owner as the taxpayer.

Questions and discussion.

106 JOE MISEK provided the committee with a copy of the operating permit, which is more a notification than a permit.

139 TOM ROOSE offered that the OSWA's proposal is not a strong argument in either direction as stated.

146 RICK MAIN, looking at OSWA's Exhibit 7, decided that this scenario was extremely remote.

Questions and discussion.

190 CHAIR SCHOON suggested that REP. SHIBLEY and REP. ADAMS meet with the DOR, OSWA, and DOF to reach a mutual agreement.

219 GARY CARLSON testified that the issue stated in Exhibit 8, Proposed Amendment to HB 2057, would tie exceptions from the rollback tax to "Qualified Conservation Contributions" under the IRS code provisions in paragraph 170 (h) (IRS code of 1986). The unanticipated tax liability will require the timber harvester to pay the tax.

Questions and discussion.

383 JOE MISEK stated that, in the above mentioned case, the property needs to be declassified. The main concern is that owners would be claiming to be an educational organization and trying to avoid taxes and rollback penalties under this provision.

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Questions and discussion.

TAPE 056 SIDE

B

001 Discussion continues with GARY CARLSON and JOE MISEK.

012 GARY CARLSON spoke of Forests Forever, a nonprofit organization, which has suggested an amendment to HB 2057, Exhibit 8.

Questions and discussion.

037 JOE MISEK stated that a widow receives revenue from timber but is not in control of when the timber is cut. The timber cannot be cut unless it is something that is "good for the property." Under the Forest Forever guidelines, the need for money is not something that would trigger a timber harvest.

Discussion and questions.

067 GARY CARLSON responded to a question by REP. ADAMS by stating that severance tax would not be paid by a nonprofit organization.

Questions and discussion with regard to severance tax exemptions.

088 CHAIR SCHOON adjourned the meeting at 10:45.

Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Timber Taxpayer (HB 2057), Rick Main, Department of Revenue.
2. Written Example 1, Rick Main, Department of Revenue.
3. Written Example 2, Rick Main, Department of Revenue.
4. Written Example 3, Rick Main, Department of Revenue.
5. Testimony on HB 2057, Representative Ron Adams.
6. Fiscal Analysis of Proposed Legislation, HB 2057, Legislative Fiscal

Office.

7. Testimony on HB 2057, Julie Brandis, Oregon Small Woodlands Association.

8. Proposed Amendment to HB 2057, Julie Brandis, Oregon Small Woodlands Association.

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