

Work Session HB 2438, HB 2441
HB 2057, HB 2240, HB 2439
HB 2442, HB 2177, HB 2245
Tapes 65 A/B -
66 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

MARCH 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

Witnesses Present: Ward Armstrong, Oregon Forest Industry Council (OFIC)
Linc Cannon, Oregon Forest Industry Council Craig Hanneman, Willamette
Industries

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

TAPE 065 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:25.

008 CHAIR SCHOON conducted committee business with regard to the bills in
work session. He presented a time table for the forestry bills.

070 DICK YATES announced that amendments to HB 2438 and HB 2057 were in the
books behind the appropriate bill.

077 WARD ARMSTRONG (with LINC CANNON and CRAIG HANNEMAN) presented an
overview of OFIC's proposal on HB 2438. Their proposal is a way of taxing
timber that brings the Western Oregon Severance Tax (WOST) and Eastern
Oregon Severance Tax (EOST) in compliance with Measure 5. This proposal
would tax the land, not the crop.

Twenty percent of the tax would be imposed on the land every year, and 80
percent of the burden would be imposed at the time of harvest.

127 LINC CANNON provided a revised spreadsheet of Timber Tax: Summary of
Revenue Impacts for the 1993-95 Biennium. The OFIC land values would be
instituted in 1994-95 and assessed at 50 percent of full value. In 1995-96,
full implementation of HB 2438 would be 20 percent of land values.

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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Discussion and questions.

260 WARD ARMSTRONG responded to a question by REP. SHIBLEY by stating that
HB 2438-1 has the endorsement of the membership of OFIC. He also stated that
one of the difficulties in assessing bare forest land.

Discussion and questions.

311 CRAIG HANNEMAN commented that the Governor's budget and the Executive
Department assumed that the current phase down would reflect market
conditions.

Discussion and questions.

TAPE 066 SIDE A

001 Discussion continues with WARD ARMSTRONG, LINC CANNON, and CRAIG
HANNEMAN and the OFIC's proposal.

011 WARD ARMSTRONG confirmed that the Attorney General's opinion was
offered prior to the vote on Measure 5.

Discussion and questions.

030 DICK YATES continued with his explanation of Forest Taxation: Options; Forest Taxation: Issues; Simple Model of Forest Land Values; from Exhibit 1, March 19, 1993.

Discussion and questions.

127 DICK YATES offered different options with regard to the harvest yield tax; such as, freezing the current rates at 4.7 in the West and 3.5 in the East, continue the phase down begun in 1991, or adopt the industry rates.

211 DICK YATES responded to a question by REP. SHIBLEY by stating that if you followed the Dowdle model the assumption was that the appropriate level of burden on the industry was equivalent to a 1.5 percent tax on land.

Discussion and questions.

344 DICK YATES turned to the issue of decreasing the tax burden on forestry. The difficulty is comparing the tax burden of one industry versus another industry. If the tax is reduced on forest land, the land will be more attractive for forest use.

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001 Discussion continues with DICK YATES and his testimony.

100 DICK YATES provided two graphs to indicate land values: one at no price trend and one at 1 percent price trend. Both are found in Exhibit 1, March 19.

Discussion and questions.

175 CHAIR SCHOON conducted administrative business.

204 CHAIR SCHOON adjourned the meeting at 9:37 a.m.

Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. HB 2438-1, Proposed Amendment, Dick Yates, Legislative Revenue Office.
2. HB 2057-1, Proposed Amendment, Dick Yates, Legislative Revenue Office.
3. Representative Schoon's Unitary Timber Tax Plan, Representative John Schoon.
4. Timber Tax: Summary of Revenue Impacts for the 1993-95 Biennium, Linc Cannon, Oregon Forest Industry Council.

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context of proceedings, please refer to the tape recording.