

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

MARCH 26, 1993 8:00 AM HEARING ROOM 357 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 Ed Kelly, Weyerhaeuser Paper
Company

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

TAPE 067 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:37.

011 CHAIR SCHOON opened the work session on HB 2438, which sets land values
for forest land.

020 DICK YATES began the work session by explaining HB 2438-1 and introduced
Exhibit 1, HB 2438: Decision Points.
Discussion and questions.

055 ED KELLY (with WARD ARMSTRONG and LINC CANNON) defined "private land
for sustained yield" by stating OFIC was trying to distinguish between
private land and public land.

Questions and discussion.

076 WARD ARMSTRONG stated that the majority of timber land is on sustained
yield.

Questions and discussion.

130 ED KELLY offered that the private land definition should not be applied
to public land. This bill would apply to private timber managed for a
private purpose.

These minutes paraphrase and/or "ummarize 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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169 DICK YATES continued his explanation of HB 2438 and Amendment 1.
Discussion and questions.

280 WARD ARMSTRONG stated that the amendment makes western Oregon
consistent with the process.

284 ED KELLY said that in Eastern Oregon, DOR does not collect log purchase
information as in Western Oregon where this information has been collected
since the second half of 1989. Since there is no history for Eastern
Oregon, OFIC used the stability of Western Oregon as the basis for the
index.

301 DICK YATES returned with his explanation of the language in HB 2438.

TAPE 068 SIDE A

001 DICK YATES continued his testimony.

026 MOTION REP. ADAMS moved that the committee adopt
Amendment 1 to HB 2438.

DISCUSSION

050 MOTION REP. ADAMS changed his motion to include new

language on line 7 to read after management
"on private lands."

056 ORDER CHAIR SCHOON, hearing no objection, so
ordered.

DISCUSSION

069 MOTION REP. WALDEN moved that the subcommittee send
HB 2438, as amended, to the full committee with
a do-pass recommendation.

DISCUSSION

090 WARD ARMSTRONG presented the fact that the term "wildlife" is a modern
term encompassing all living creatures, not just wild game. The concept of
recreational opportunities is recognizing that we are not just interested
in a particular site but the recreational potential on all forest land.

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129 MOTION REP. SHIBLEY moved that the word "investment
in" be deleted on page 3, line 12.

NO DISCUSSION

130 ORDER CHAIR SCHOON, hearing no objection, so
ordered.

Discussion and questions.

168 LINC CANNON stated that the reason "sites" was changed to
"opportunities" was because it is a much broader term. Sites might be
limited to campsites, etc.

Discussion and questions.

219 MOTION REP. SHIBLEY moved that on page 13, line 31, "investment in" be
deleted.

236 ORDER CHAIR SCHOON, hearing no objection, so ordered.

Discussion and questions with regard to HB 2438 language.

360 WARD ARMSTRONG offered that the reason for the 20/80 split is that the
80 percent is based on stumpage and is very responsive to inflationary
increases. Most of the tax will respond very directly to inflation
stumpage. The land value, 20 percent, will be much lower. As the state
deals with a tax restructuring system, OFIC will be part of that solution.

TAPE 067 SIDE B

001 Discussion continues with WARD ARMSTRONG, ED KELLY and LINC CANNON.

008 LINC CANNON clarified several places in the bill where the language is
vague.

Discussion and questions.

100 ED KELLY stated that, under Measure 5, it appeared it was not possible
for the tax to be distributed proportionately to citizens and that language
could be changed.

Discussion and questions.

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190 MOTION REP. SHIBLEY moved that on page 12, line
43 change the word "taxing" to "tax."
207 ORDER CHAIR SCHOON, hearing no objections, so
ordered.
211 MOTION REP. SHIBLEY moved that on page 13, line
3, after the word "management," insert
the words "on private lands" and delete
the comma.
216 ORDER CHAIR SCHOON, hearing no objections, so
ordered.
220 MOTION REP. SHIBLEY moved that on page 2, line
38, delete the comma after the word
"crop."
222 ORDER CHAIR SCHOON, hearing no objections, so
ordered.
226 MOTION CHAIR SCHOON moved that page 12, line 41,
delete the word "multiple" and after the
word "on" insert "trees as well as" and
delete "and on trees."
DISCUSSION
241 MOTION REP. WALDEN moved that line 41 should
read "taxation through a yearly ad
valorem levy on both trees and forest
land managed in sustained yield timber
operations ..." and delete the words "and
on trees."
DISCUSSION
289 MOTION REP. WALDEN further moved that the word
"multiple" remain on page 12, line 41 and
page 2, line 31.
DISCUSSION
301 ORDER CHAIR SCHOON, hearing no objection, so
ordered.

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311 MOTION REP. SHIBLEY moved that on page 13, line
31, delete the words "investment in."
318 ORDER CHAIR SCHOON, hearing no objections, so
ordered.
323 WARD ARMSTRONG stated that OFIC concurred with the changes made by the committee.
331 CHAIR SCHOON recessed at 10 a.m. and reconvened at 10:38 a.m.
332 CHAIR SCHOON conducted administrative business.
TAPE 068 SIDE B
001 DICK YATES began his explanation of HB 2438: Decision Points.
Discussion and questions.
076 WARD ARMSTRONG proposes that timber be taxed as a crop because it has all the risks inherent to crops.
Discussion and questions.

099 DICK YATES returned to his testimony on Exhibit 1.

Discussion and questions.

206 ED KELLY addressed the issue of interest. In Dr. Dowdle's tax model of the OFIC Report (Exhibit 1, February 24, 1993), the land value included the property taxes and interest for the entire rotation. Once the land value has been established, Dr. Newport's model would then calculate the yield tax rate and incorporate the interest.

266 LINC CANNON believes the issue that needs to be pointed out is to look at the forest as a sustained yield unit.

Discussion and questions.

330 DICK YATES continued with Exhibit 1.

Discussion and questions.

TAPE 069 SIDE A

001 Discussion continues with DICK YATES and Exhibit 1.

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104 LINC CANNON agreed that the language should be amended. In Section 6, Subsection 1, the tax levy should be in leu of a portion of the land tax. OFIC did not intend this language to imply that levy was in leu of timber tax.

119 DICK YATES continued his testimony.

145 LINC CANNON responded to a REP. SHIBLEY by defining the Dowdle Model as a model that yields a value of land after looking at costs and revenues. The Oregonon model is a growth and yield model. SPS model is also used; it and Oregonon are two different-versions of the same model.

165 CHAIR SCHOON conducted administrative business.

180 CHAIR SCHOON adjourned the meeting at 11:26 a.m.

Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. HB 2438: Decision Points, Dick Yates, Legislative Revenue Office.

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