

Work Session HB 2057, HB 2240
Tapes 77-78 A/B
79 A

HOUSE COMMITTEE ON -
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

APRIL 5, 1993 9:00 AM HEARING ROOM 343 STATE CAPITOL BUILDING

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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: Nicole Dell, Administrative Assistant for Representative
Marilyn Dell
Joe Misek, Department of Forestry (DOF) Rick Main, Department of Revenue
(DOR)
Tom Roose, Department of Revenue
Linc Cannon, Oregon Forest Industry Council (OFIC)
Ed Kelly, Weyerhaeuser Paper Company
Staff: Richard Yates, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 077 SIDE A

001 CHAIR SCHOON called the meeting to order at 9:11.
014 REP. ADAMS, Acting Chair, opened the work session on HB 2240, which
removes the sunset date for continuous funding of Western Oregon Small
Tract Optional Tax (WOSTOT) forest land special assessment program from the
Western Oregon Timber Tax Account.
020 NICOLE DELL, testifying for Rep. Marilyn Dell, stated that the services
provided by HB 2240 are especially valuable to rural residents by providing
assistance to farmers as they develop their conservation plans. In
addition, technical assistance is also provided to farmers in numerous
other areas.
045 JOE MISEK clarified the part that Agricultural Stabilization
Conservation Service (ASCS) plays with the Service Forestry Program in
administering the cost share programs on forest lands.

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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065 DICK YATES offered background information on Western Oregon Small Tract
Option Tax (WOSTOT) and the existing credit. The administration expenses
paid by the Department of Forestry were covered by General Fund
appropriations and are now funded by Western Oregon Severance Tax (WOST)
revenues.

Discussion and questions.

104 MOTION REP. SHIBLEY moved that the committee send HB 2240 to the full
committee with a dopass recommendation.

DISCUSSION

211 REP. SHIBLEY withdrew her motion and suggested different options be added to the bill.

257 JOE MISEK pointed out that Exhibit 1 dated March 24 is for WOSTOT only. At the present time, counties benefit from property taxes collected, but most do not have forestry expertise on staff to administer the program. Discussion and questions.

380 JOE MISEK responded to a question by REP. SHIBLEY by stating that the landowners would simply drop out of the WOSTOT program and come under the county programs.

TAPE 078 SIDE A

001 Discussion continues with JOE MISEK.

101 DICK YATES stated that severance tax monies go back to two groups of local government: the school districts and all other districts (such as water districts, sewer districts, etc.), whoever happens to have forest land within their taxing districts.

Discussion and questions.

191 REP. ADAMS closed the work session on HB 2240

196 REP. FEDERICI, Acting Chair, opened the work session on HB 2057, which changes the reporting period for all timber taxes from every six months to once each calendar year, the definition of timber taxpayer and the basis for stumpage value tables, allows high volume log sellers to elect to report log source data to the DOR rather than to log purchasers, changes the procedure for appeal

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of forest land values, and applies to taxes due for timber harvested in the 199 4 calendar year.

215 REP. SHIBLEY suggested changes to language which would define "Taxpayer would be the owner of timber at time of harvest."

265 MOTION REP. SHIBLEY moved that language remain the same and that the taxpayer is the owner of the timber at time of harvest.

DISCUSSION

388 ORDER Hearing no objections, REP. FEDERICI, Acting Chair, so ordered.

TAPE 077 SIDE B

001 DICK YATES offered a comparison of HB 2057-1 amendment and DOR's proposed amendment, Exhibit 5. The purpose of the bill is to allow the taxpayer to file only once a year. Therefore, giving DOR two years to collect data.

Discussion and questions.

090 RICK MAIN (with TOM ROOSE) testified that they changed the date on the evaluation period. This change effected data collection and determining inadequate sales. The present language defines the taxable period and would make 1994 the first year for data.

Discussion and questions.

131 DICK YATES continued with the changes caused by the amendments.

Discussion and questions.

284 DICK YATES continued with the comparison of the two proposed amendments.

Discussion and questions.

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TAPE 078 SIDE B

001 Discussion continues with DICK YATES and the amendments.

004 RICK MAIN testified that DOR tries to bring uniformity to the timber laws.

014 LINC CANNON stated that OFIC agrees with the majority of the points proposed by the DOR, with the exception of page 10, line 43 identifying the timber owner as the taxpayer.

076 TOM ROOSE presented testimony on HB 2057 Background, Exhibit 3, which showed that the person selling logs is not always the taxpayer and DOR has no way to establish who is responsible for the harvest tax.
Discussion and questions.

130 TOM ROOSE presented copies of the Notification of Operation/Application for Permits showing why this form is not adequate for identifying the taxpayer.

Discussion and questions.

258 TOM ROOSE stated that time is of the essence when identifying logs and who is responsible for the tax liability. Log purchase data information stated in page 2 of Exhibit 3 shows that the permit provides a link between the harvest area and the mill.

Discussion and questions.

358 ED KELLY (with LINC CANNON) provided information regarding the taxpayer liability as it applies to small owners and harvesters who accept the responsibility to pay the tax while they are not the timber owner. Harvesters like to provide this service to small owners. The problem with using the permit for identification is that Weyerhaeuser has no way of tying the permit number with log purchases.

TAPE 079 SIDE A

001 ED KELLY continued his testimony.

Discussion and questions.

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080 TOM ROOSE stated that current law requires the reporting (through W2s and 1099s) of all types of transactions. In Oregon, a person can harvest \$50,000 worth of timber in a matter of days, and there is no obligation on

the part of these purchasers to report that transaction. Large owners and industry are not the problem; it is the small timber owners that cause problems with log identification.

Discussion and questions.

167 ED KELLY stated that by the time the logs arrive in the yard all identity is lost. Weyerhaeuser tries to inform the DOR with as much information as possible as to where the log originated. Not all the logs go to their yards but are distributed throughout the timber industry.

Discussion and questions.

254 TOM ROOSE clarified that DOR does not believe that the timber owners will be inconvenienced by using the permit number. DOR is not asking for that accountability or identity to be maintained beyond the delivery point of the logs.

266 REP. FEDERICI closed the work session on HB 2057.

269 REP. FEDERICI, Acting Chair, adjourned the meeting at 11:20.

Mary Gottlieb, Committee
Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. HB 2240 - WOSTOT/Taxing Credit Funding, Joe Misek, Department of Forestry.
2. Testimony of Marilyn Dell, Nicole Dell, Representative Dell's Office.
3. HB 2057 Background, Tom Roose, Department of Revenue.
4. Notification of Operation, Tom Roose, Department of Revenue.
5. Proposed Amendments to HB 2057, Tom Roose, Department of Revenue.

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