

Tapes 13-14 (A/B) Tapes 15 (A) Orientation Highway/Timber Taxes

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 21, 1991 8:30 AM Hear. Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton (arrived 8:35) Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson (excused 8:31-9:05, arrived 9:05) Representative John Schoon Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer Terry Drake, Legislative Revenue Office Linda Leach, Committee Assistant

TAPE 13 SIDE A 005 CHAIR JONES called the meeting to order at 8:31 and she conducted administrative business. 033 TERRY DRAKE explained his orientation procedure for highway and timber taxation. HIGHWAY TAXATION 044 TERRY DRAKE explained that highway finance in Oregon depends on three major revenue sources and referred to Highway Taxes. Exhibit 1 135 TERRY DRAKE reviewed recent fuel tax increases. Exhibit 1 150 Questions and discussion regarding distribution of fuel taxes. 177 TERRY DRAKE noted the uncertainty of federal highway revenues. 207 CHAIR JONES commented on comparisons between western and eastern states highway taxes. 215 TERRY DRAKE explained revenue sources for local governments are from special transportation taxing districts. 250 TERRY DRAKE noted a change in the way Oregon taxes trucks with a technical move towards taxing axle weights rather than gross weights. ~ 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. House Committee on Revenue and School Finance January 21, 1991 Page 2 He provided background and details of 1989 legislation. A forthcoming report will address the revenue neutrality of this legislation and how taxing axle weight is doing. 300 TERRY DRAKE provided an illustration of taxing truck axle weight. 362 TERRY DRAKE commented on transportation issues which may come before the Revenue committee: 1. Review of neutrality issue regarding taxation of truck axle weight. 2. Updated cost responsibility report on how much trucks as a total pay and how much trucks pay in categories. 3. A proportional tax increase on heavy vehicles (12.5% increase) which was delayed during the 1989 Legislative Session. 4. Mass transit financing. 407 Questions and discussion regarding the delay of an actual weight tax increase. TAPE 14 SIDE A 026 TERRY DRAKE explained a report he is preparing which compares Oregon's tax liability on the transportation industry to other states. 043 Questions and discussion regarding a fuel tax increase in order to discourage the use of vehicles. 073 TERRY DRAKE discussed a mandated Revenue study on interstate comparisons of an overall tax liability. He pointed out that Oregon's vehicle taxation is high compared with states using weight distance tax and cost responsibility. He commented on Arizona's and Washington's highway taxes. He noted the report will contain the cost structure of the transportation industry. 132 CHAIR JONES questioned the impact on highway revenues from Measure 5. 137 TERRY DRAKE noted Oregon's registration fees are a small portion of the highway fund and discussed the question of ownership under Measure 5. 164 REP. HOSTICKA noted a major impact from Measure 5 regarding a policy adjustment for administrative costs. 187 TERRY DRAKE referred to a history of fuel tax increases and noted a correlation with the cost of fuel prices. Exhibit 1 208 CHAIR JONES noted that vehicle registration fees should be addressed in Measure 5 implementation bill drafts. 215 Questions and discussion interspersed.

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. House Committee on Revenue and School Finance January 21, 1991 Page 3 241 Questions and discussion regarding an expansion project of Marquam Bridge. 260 CHAIR JONES recessed the meeting at 9:20 and reconvened the meeting at 9:34. She conducted administrative business. 260 TIMBER TAXATION 320 TERRY DRAKE gave a brief history of Oregon's timber taxation laws. He noted the regional issues associated with timber and the impact of advanced technology. Exhibit 2 TAPE 13 SIDE B 001 TERRY DRAKE continued with review of timber taxation. 008 REP. HOSTICKA commented on timber industry supply and demand issues. 013 TERRY DRAKE discussed competitive issues to Oregon timber industry. He pointed out a diverse and changing industry. 030 TERRY DRAKE explained that the severance tax is the basic tax structure on timber in Eastern and Western Oregon. Severance tax is a tax on standing timber. Exhibit 2 050 TERRY DRAKE referred to Timber Severance Tax Collections. Exhibit 2-page 2 054 REP. NELSON clarified that central Oregon is included in the definition of eastern Oregon. 058 TERRY DRAKE explained the history of changing western Oregon to a severance tax in the 1970's from ad valorem timber property taxes. 110 TERRY DRAKE explained that a severance tax is distributed to local taxing districts as an offset to a levy. The severance tax is a reduction in the property tax that is extended on individual property in the districts in which the timber is harvested. He noted a direct connection between harvest, taxes collected from that harvest and revenues distributed back to local governments as an offset. 123 REP. BURTON commented on factors which determine the fixed rate of a severance tax. 139 REP. HOSTICKA pointed out a range of factors when comparing to other states timber taxes. 150 Questions and discussion regarding depreciation of timber on income tax returns.

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. House Committee on Revenue and School Finance January 21, 1991 Page 4 174 REP. WHITTY noted his concern regarding property that is zoned for forest land which will not be logged and therefore the owner is basically not paying property taxes. 188 Questions and discussion regarding an issue of timber and land separation for taxation purposes. 219 TERRY DRAKE pointed out that timber will only be taxed when harvested. 226 REP. SCHOON commented on a disincentive to place unproductive agricultural land under timber taxation. 252 Questions and discussion interspersed. 276 TERRY DRAKE commented on issues which will come before the Revenue committee regarding special assessments for agriculture land and timber land and how properties can move between classifications. 326 Questions and discussion regarding taxation of special districts. 334 Questions and discussion regarding zoning v. tax valuation and utilization. 371 TERRY DRAKE continued his explanation of timber severance tax. He explained that severance tax is paid on private timber and not public timber. He explained that property underlying timber is subject to an ad valorem tax similar to other property. He explained that land values are indexed according to timber prices and provided examples. TAPE 14 SIDE B 004 Questions and discussion regarding timber land property value and a statute formula for determining rates. 033 TERRY DRAKE explained technical problems regarding a determination of timber land value. 072 TERRY DRAKE continued his review with a small woodlot optional tax. Exhibit 2-page 1 104 TERRY DRAKE explained that a forest products harvest tax is reviewed each Legislative Session and is budget driven. Exhibit 2, page

1 128 Questions and discussion regarding fire protection funding from forest products harvest tax. 145 TERRY DRAKE reviewed three charts in his handout and pointed out Oregon's economic timber structure. He pointed out a stable trend in private timber harvest and that the tax fluctuation is based on price

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. House Committee on Revenue and School Finance January 21, 1991 Page 5 and not harvest. Exhibit 2 -pages 2,3,4 176 TERRY DRAKE pointed out the average stumpage price stability in Eastern Oregon. Exhibit 2-page 4 189 TERRY DRAKE pointed out a correction on a chart entitled Oregon Timber Harvest (billion board feet instead of million board feet). Exhibit 2, page 3 192 TERRY DRAKE reviewed Western Oregon Timber Revenue which shows general sources of timber revenue. He discussed districts having state managed county trust lands. Exhibit 3 255 CHAIR JONES commented on revenue fluctuations from timber revenues. 263 REP. BURTON commented on percentages of timber sales to a county road fund and a county school fund. 270 TERRY DRAKE commented on future projections for harvest revenues and explained uncertainties with values and harvest figures. 300 Questions and discussion regarding Federal Timber and Coos Bay Wagon Road. Exhibit 3 329 Questions and discussion regarding Tillamook burn area and timber sales. 347 TERRY DRAKE continued with his review of Federal Timber Forest Service Lands. Exhibit 3 386 REP. WHITTY commented on federal and state timber in one county and maintenance of roads. 403 CHAIR JONES welcomed "Education First" visitors to the Revenue meeting. TAPE 15 SIDE A 011 TERRY DRAKE reviewed past prospective legislation on the valuation of timber. He explained a value schedule which the Department of Revenue updates for determination of severance tax process as to what timber is worth when harvested. He referred to a law beginning Jan. 1, 1992, which will institute a system of indexing stumpage value according to log prices only when there is a shortage of available data on stumpage sales. The Department of Revenue will report on potential impact from the use of stumpage indexing. He noted shortage of data for young growth timber sales. He pointed out that according to the Attorney General, Measure 5 will impact the current severance tax.

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Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Highway Taxes, LRO, 11/20/87,1/9/91 - Orientation 2. Timber Taxation, LRO, 1/11/91 - Orientation 3. Western Oregon Timber Revenue, LRO, 1/21/91 - Orientation 4. Opinion Request OP-6397, Measure 5,

Department of Justice, 1/21/91 Orientation

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