

Tapes 34-35 (A/B) Tapes 36-37 (A) Public Hearing: HB 2318A, HB 2319, HB 232 0A, HB 2321, HB 2322A, HB 2350, HB 2883A

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON PROPERTY TAXATION

April 18, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Fred Parkinson, Chair
Representative Kelly Clark
Representative Carl Hosticka
Representative Jim Whitty

Member Excused: Representative Delna Jones

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

Witnesses Present: Representative Walt Schroeder, District 48
Senator Bill Bradbury, District 24
Bernie Agrons, Joint Interim Committee on Forests
Products Policy

Ray Craig, Forestry Department

Joe Misek, Forestry Department

Gary Carlson, Oregon Small Woodlands Association

Representative Bruce Hugo, District 1

Allen Willis, Boise Cascade Corporation

Frank Nims, Sherwood, Oregon

Jane Myers, Oregon Forest Industries Council

Ron Chastain, Economist, WOST (Western Oregon
Severance Tax) Consortium

Kim Worrell, Association of Oregon Counties

Rick Main, Department of Revenue

Representative John Schoon, District 34

TAPE 34 SIDE A

005 CHAIR PARKINSON called the meeting to order at 8:11.

PUBLIC HEARING - HB 2318A, HB 2319, HB 2320A, HB 2321, HB 2322A, HB 2350,
HB 2883A

014 REP. SCHROEDER testified in support of HB 2318A, HB 2320A, HB 2322A and
HB 2319 which have come to the Revenue Committee from the House Committee
on Agriculture, Forestry and Natural Resources. He reviewed the work of the
Joint Interim Committee on Forest Products Policy.

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.
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REP. SCHROEDER (continued):

The purpose of HB 2318, HB 2320, HB 2322 and HB 2319 is to provide
incentives to manage small woodlots and replace incentives loss in Federal
legislation. He reviewed his handout entitled Four Innovative Small
Woodland Bills. Exhibit 1

038 BERNIE AGRONS explained that he and Senator Bradbury were cochairs of
the Joint Interim Committee on Forest Products Policy.

040 SEN. BRADBURY explained the small woodlands package is comprehensive
and relates to increasing supply of timber from the small woodlots which
are not producing to capacity. HB 2318, HB 2319, HB 2320, HB 2321, HB 2322
provide incentives to small woodland owners to manage their land for
timber. The bills are a part of a larger effort to improve employment in

the timber industry, improve timber supply and improve worker training. He emphasized a key issue reflected in HB 2320.

094 Questions and discussion regarding separation of bills v. combining bills.

123 REP. HOSTICXA requested an explanation of the major changes in the bills (HB 2318 and HB 2320) in the House Agriculture Committee.

137 Questions and discussion regarding WOST v. harvest tax as a payment on property taxation.

151 BERNIE AGRONS provided the history of the Joint Interim Committee on Forest Products Policy. He reviewed three charges to the Interim Committee: 1) Enhancement of secondary manufacture of wood products. 2) Dependent workers in timber communities. 3) Enhancement of production of small woodlands and encourage capital investment in small woodlands.

300 BERNIE AGRONS pointed out that HB 2318 deals with elements fundamental to forestry investments which formerly were in the Federal tax law and are now withdrawn. Capital gains investment must be returned to the forestland industry (at least at the state level).

HB 2318 provides the capability to expense reforestation and management costs.

360 BERNIE AGRONS explained HB 2322 relates to capital gains treatment of timber.

398 BERNIE AGRONS explained HB 2319 is from the small woodland owners and proposes a uniform manner in which land is valued in Western Oregon and Eastern Oregon.

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415 BERNIE AGRONS reviewed HB 2320 which addresses forestland owners capability of deriving a special assessment of a lower rate for forest lands if managed for forest production.

TAPE 35 SIDE

A

001 BERNIE AGRONS continued with review of HB 2320.

,018 BERNIE AGRONS reviewed HB 2321 which favors harvest of timber at mature ages by lowering severance tax rates as age increases.

044 BERNIE AGRONS summarized the incentives and disincentives for investment and management of small forestlands.

051 Questions and discussion regarding market drive of timber cut before maturity.

092 RAY CRAIG reviewed the Forestry Department's involvement with the Joint Interim Committee on Forest Products Policy (the development of small woodlands bills).

106 JOE MISEK reviewed Oregon Forest Land and Timber Taxes and Assessments. Exhibit 2

169 Questions and discussion regarding optional tax.

248 GARY CARLSON testified in support of HB 2322 and read his prepared testimony. Exhibit 3

348 Questions and discussion regarding Legislative history dealing with small woodlands and a reluctance to deviate from federal code at the state level.

375 Questions and discussion of effective tax rate with a capital gains incentive (small woodlands) at the state level.

395 GARY CARLSON commented that HB 2318 is a "step in the right direction" and reviewed expenditures currently requiring capitalization under the

federal tax code. He summarized his prepared testimony, pointing out possible problems with HB 2318 and suggestions to HB 2318. Exhibit 4
TAPE 34 SIDE

B

001 GARY CARLSON continued with his testimony regarding HB 2318. Exhibit 4
Questions and discussion interspersed.

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120 Questions and discussion regarding practical value of treatment plans (tax program), mechanics and enforcement of same.

198 REP. HOSTICKA was interested in treatment plans and provided examples (species diversity, etc.).

210 JOE MISEK commented on the forest practices act and optional tax plan. He pointed out the definition of forest land is broad.

258 GARY CARLSON supported HB 2319, opposed HB 2320, opposed HB 2321 and supported HB 2350 (noted some concerns) and read his prepared testimony. Exhibit 5

366 Questions and discussion regarding definition of underproductive forestlands.

TAPE 35 SIDE B

001 GARY CARLSON continued with his testimony on HB 2320.

Exhibit 5

058 Questions and discussion.

080 CHAIR PARKINSON recessed the meeting at 9:45 and reconvened at 10:00.

082 REP. HUGO explained the 1989 Legislature exempted certain kinds of timberland crops from severance tax. HB 2883 extends tax treatment granted fast growing hardwoods in Western Oregon to fast growing hardwoods in Eastern Oregon. He supported HB 2883.

100 Questions and discussion interspersed.

120 ALLEN WILLIS supported HB 2883 and read his prepared testimony. Exhibit 6

173 Questions and discussion interspersed.

226 JOE MISEK supported equal tax treatment of short rotation fiber farms for Western and Eastern Oregon. Department of Forestry supported HB 2883A and he summarized his prepared testimony. Exhibit 7

258 Questions and discussion interspersed.

332 FRANK NIMS gave examples using his timberland and testified in opposition to HB 2320. He addressed underproductive timberland and supported economic incentives rather than a punitive approach.

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010 Questions and discussion interspersed.

016 JANE MYERS supported HB 2319 and summarized her prepared testimony.

Exhibit 8

060 JANE MYERS addressed the concept in HB 2350 and noted a need for a comprehensive review of timber property tax. She read her prepared testimony. Exhibit 9

079 JANE MYERS opposed using severance tax revenue for identification of underproductive forestlands and review management plan under HB 2320.

087 JANE MYERS supported a study of appropriate tax burden on timber property (in light of Ballot Measure 5 and a change from old growth to secondary growth economy). She commented that higher tax rates add to the cost burden which reduces the return on investment and therefore reduces the amount available for timber reinvestment.

108 Questions and discussion regarding HB 2319 (average roll).

126 RON CHASTAIN testified that the WOST consortium is wary of any tax changes and effect of reductions in the General Fund or severance tax. The consortium preferred to postpone any changes in the tax system until after an interim study. The consortium believes the timber industry should pay their fair share of taxes. He explained why the consortium was concerned with HB 2321, HB 2319, HB 2320 and HB 2350.

Questions and discussion interspersed regarding historical data in the timber industry.

233 KIM WORRELL explained the bills before the committee today mostly increase or add a special benefit to the forest industry. He provided history of the Oregon severance tax in 1977 and opposed a 50% change in determining forestland values in Western Oregon. He was comfortable with HB 2320 with an exception to the funding source (severance tax). He suggested that the concept in HB 2321 be referred to an interim study. HB 2322 does not address a requirement of holding timber for 40 - 60 years (only 24 months). He opposed HB 2350 and recommended the concept in HB 2350 be addressed in an interim study.

342 RICK MAIN commented on HB 2322 (capital gains) and pointed out a concern with original bill. He suggested Legislative Counsel review HB 2322 and review the intent to provide a benefit to individuals and corporations.

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368 RICK MAIN commented on HB 2319 (forestland index) and proposed minor amendments which he reviewed. The Department of Revenue does not support or oppose HB 2319.

TAPE 37 SIDE A

001 RICK MAIN commented that the Department of Revenue's data base with small owners may not be sufficient to use in the forestland index.

011 REP. SCHOON supported HB 2350 and reviewed the history of what level to tax timber. He encouraged the subcommittee to consider eliminating severance tax, to reevaluate the land and tax the land fairly and proportionately (exclude old growth timber). Timber should be considered a production item and the tax shifted to the land.

078 Questions and discussion regarding burden on county assessment staff if HB 2350 is adopted.

086 Questions and discussion regarding effects from forest fires and infestation.

094 CHAIR PARKINSON questioned Rep. Schoon if there is an anticipation of higher taxes on the land (as proposed in HB 2350).

098 REP. SCHOON responded "yes". He discussed approaches to determination of value.

111 CHAIR PARKINSON conducted administrative business and adjourned the meeting at 11:00.

Linda Leach, Committee Assistant

Kimberly Taylor Office Manager

EXHIBIT SUMMARY

1. Four Innovative Small Woodland Bills, Rep. Walt Schroeder, 4/18/91 HB 231 8, HB 2320, HB 2322, HB 2319
2. Oregon Forest Land and Timber Taxes and Assessments, Joe Misek, 10/89 - Timber Taxation
3. Testimony from Ilene Waldorf (presented by Gary Carlson), 4/18/91 HB 232 2
4. Testimony from Ilene Waldorf (presented by Gary Carlson). 4/18/91 HB 231 8
5. Testimony from Gary Carlson, 4/18/91 - HB 2319, HB 2320, HB 2321 and HB 235 0
6. Testimony from Allen Willis, 4/18/91 - HB 2883

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EXHIBIT SUMMARY (CONT.)

7. Testimony from Joseph Misek, 4/18/91 - HB 2883
8. Testimony from Jane Myers, 4/18/91 - HB 2319
9. Testimony from Jane Myers, 4/18/91 - HB 2350
10. Testimony from Joe Misek, 4/18/91 - HB 2318
11. Testimony from Joe Misek, 4/18/91 - HB 2319
12. Testimony from Joe Misek, 4/18/91 - HB 2320
13. Testimony from Joe Misek, 4/18/91 - HB 2321
14. Testimony from Joe Misek, 4/18/91 - HB 2322
15. Testimony from Joe Misek, 4/18/91 - HB 2350
16. Staff Measure Summary, House Agriculture Committee, 4/18/91 - HB 231 8
17. Fiscal Analysis, LFO, 3/25/91 - HB 2318
18. Staff Measure Summary, House Agriculture Committee, 4/18/91 - HB 231 9
19. Fiscal Impact Assessment, LFO, 2/18/91 - HB 2319
20. Fiscal Analysis, LFO, 3/26/91 - HB 2320
21. Staff Measure Summary, House Agriculture Committee, 4/18/91 - HB 232 0
22. Fiscal Analysis, LFO, 4/18/91 - HB 2321
23. Staff Measure Summary, House Agriculture Committee, 4/18/91 - HB 232 2
24. Revenue Analysis, LRO, 3/5/91 - HB 2322
25. Fiscal Impact Assessment, LFO, 3/11/91 - HB 2322
26. Staff Measure Summary, House Agriculture Committee, 4/18/91 - HB 288 3
27. Fiscal Impact Assessment, LFO, 4/8/91 - HB 2883

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