

Tapes 38-39 (A/B)
Public Hearing: HB 2148,
HB 2322A, HB 2320A,
HB 2419A
Work Session: HB 2148,
HB 2318A, HB 231.9,
HB 2883A

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON PROPERTY TAXATION

April 19, 1991 8:00 AM Hearing Room A State Capitol Building

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

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

Witnesses Present: Bill Cook, Department of Forestry Gil Riddell,
Association of Oregon Counties Joe Misek, Department of Forestry Ray Craig,
Department of Forestry Rick Main, Department of Revenue Ray Wilkeson,
Oregon Forest Industries Council (OFIC) Ed Kelly, OFIC Kim Worrell,
Association of Oregon Counties Ralph Groaner, American Federation of State,
County and Municipal Employees (AFSCME), Oregon AFLCIO, Association of
Western Pulp and Paper Work, Oregon Education Association Tom Linhares,
Association of County Assessors Representative Wal Schroeder, District 48
TAPE 38 SIDE A

005 CHAIR PARKINSON called the meeting to order at 8:13.

PUBLIC HEARING - HB

214 8

020 BILL COOK noted that Oregon Department of Forestry supported HB 2148
and he read his prepared testimony. Exhibit 1

047 GIL RIDDELL concurred with Bill Cook's testimony and supported HB 2148.

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meeting. Text enclosed in quotation marks reports the speakers exact words.
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055 Questions and discussion regarding effects on Clatsop County from HB
214 8.

WORR SESSION - HB 2148

067 MOTION REP. WHITTY moved HB 2148 to the full committee
with a do pass recommendation.

071 VOTE In a roll call vote, the motion was adopted (4-0).

AYES: Rep. Hosticka, Rep. Whitty, Rep. Clark,
Rep. Parkinson. EXCUSED: Rep. Jones.

WORR SESSION - HB 2318A

083 JOE MISEK explained treatment plans and the expensing of costs. He
noted "free to grow" definition on page 1, line 17 of HB 2318A which he
believed to be adequate. Any expense incurred under HB 2318A would be
covered under the Forestry Department's current budget.

126 RAY CRAIG commented on contrasting management plan v. treatment plan
and expensing reforestation costs.

140 Questions and discussion regarding treatment plan examples and definition.
165 RAY CRAIG explained that treatment plans could be defined through administrative rule.
179 Questions and discussion regarding acre requirements (no requirements for zoning).
185 Questions and discussion regarding acquisition of tools.
205 MOTION REP. WHITTY moved HB 2318A to the full committee with a do pass recommendation.
209 REP. HOSTICKA requested treatment plan examples and noted his concern with administration costs.
220 JOE MISEK provided three handouts (Optional Tax/Treatment Plan, Oregon 30% Tax Credit, 30% Forestation Tax Credit Rules). Exhibits 2, 3, 4
230 RICK MAIN commented on a certification which accompanies taxpayers return and is used to determine an allowance.
252 Questions and discussion regarding treatment plans and process for tax returns.

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270 Questions and discussion regarding establishment of a stand of young trees.
313 JOE MISEK reviewed his handout showing an example of an optional tax and treatment plan. Exhibit 2
335 Questions and discussion regarding Oregon 30% Tax Credit. Exhibit 3
368 REP. HOSTICKA explained why he was concerned with a revenue impact from HB 2318A.
383 Questions and discussion.
423 REP. HOSTICKA wanted clarification if tax law is being used to motivate people to practice good forestry.
TAPE 39 SIDE

A
001 Questions and discussion regarding HB 2318A addressing expensing reforestation costs.
019 REP. HOSTICKA believed HB 2318A was a good bill in terms of objectives to be achieved as far as tax law is concerned. He addressed economic analysis of capitalizing expenses in forestry which may not be worth doing. He supported tax law which would encourage capitalizing expenses in forestry. Although the fiscal impact statement shows the Forestry Department absorbing costs, he was concerned with "a lot of red tape".
036 Questions and discussion regarding what tools can be expensed.
047 VOTE In a roll call vote, the motion was adopted (4-0). AYES: Rep. Whitty, Rep. Clark, Rep. Hosticka, Rep. Parkinson. EXCUSED: Rep. Jones.
055 WORK SESSION - HB
231 9
063 RICK MAIN offered Proposed Amendments to HB 2319, February 19, 1991 from the Department of Revenue which allows flexibility in developing a more accurate data base in computing a proposed index in HB 2319. Exhibit 5
099 ED KELLY provided charts showing comparison of a 5 year rolling average in HB 2319 to actual land values. Exhibit 6
104 Questions and discussion regarding history of forestland values.

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113 ED KELLY believed "ups and downs" of forestland values will continue. HB 2318A will help "dampen" effect of rapid accelerations and decelerations in stumpage prices.

128 REP. HOSTICKA pointed out little difference between 50 percent and 100 percent (percentage of change of stumpage value). He noted that averaging "dampens" out fluctuations (from the charts). Exhibit 6

130 ED KELLY agreed with Rep. Hosticka and noted no preference between 80 percent or 100 percent.

134 CHAIR PARKINSON questioned if a seven year average was acceptable (instead of five year).

136 ED KELLY noted a seven year average would increase stability (without the 50 percent).

143 KIM WORRELL supported the seven year average and suggested 100 percent instead of 50 percent (which is more reflective of the market).

148 Questions and discussion.

162 MOTION REP. CLARK moved to amend HB 2318A by changing five year average to a seven year average and deleting 50 percent.

165 ORDER There being no objection, CHAIR PARKINSON so ordered.

168 MOTION REP. CLARK moved adoption of Proposed Amendments to HB 2319 dated February 19, 1991 from the Department of Revenue.

170 ORDER There being no objection, CHAIR PARKINSON so ordered.

175 MOTION REP. CLARK moved HB 2319 as amended to the full committee with a do pass recommendation.

179 REP. HOSTICKA interjected he is working on amendments for HB 2318A with Rep. Dwyer.

183 MOTION WITHDRAWN REP. CLARK withdrew his motion.

185 PUBLIC HEARING - HB 2322A

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207 TERRY DRAKE reviewed the Revenue Analysis of HB 2322 prior to inclusion of corporations and estimated an impact on 1991-93 of approximately \$3 million (individuals only). He estimated approximately \$4 to \$5 million impact with the inclusion of corporations.

220 RAY CRAIG concurred with testimony from Gary Carlson (4/18/91 Subcommittee on Property Taxation meeting) and supported HB 2322A. HB ,2322A will stimulate investment in forestland and will reverse increased tax burden on woodland owners because of a connection to Federal tax laws. HB 2322A will send a message to the US Congress that Oregon timber should

receive long term capital gains exclusion that was in place prior to the 1986 Federal Tax Act.

235 REP. HOSTICKA questioned the effect from 48 months holding period described in Section 2, subsection (3) of HB 2322A.

250 JOE MISEK explained the original HB 2322 included 24 months holding period and the Forestry Department suggested a change to 48 months to move toward the landowner receiving the benefit from capital gains.

260 Questions and discussion regarding determination of capital gain and examples.

276 REP. HOSTICKA wanted to be sure 48 months discouraged a speculator and rewards the landowner who is making forestry a practice and invest in growing trees.

282 RICK MAIN supported the change from 24 to 48 months.

300 Questions and discussion.

319 PUBLIC HEARING - HB

232 0A

320 RALPH GROANER suggested to wait until 1993 Legislative Session to deal with issues in HB 2320A. He interjected support of HB 2883. He pointed out support for HB 2322 if growth was encouraged. He expressed opposition to HB 2350 and explained potential losses.

TAPE 38 SIDE

B

013 TOM LINHARES noted support of HB 2320A from the Association of County Assessors.

040 Questions and discussion (zoning and land use issues).

088 CHAIR PARKINSON recessed the meeting at 9:15 and reconvened at 9:43.

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WORK SESSION - HB 2883A

095 TERRY DRAKE reviewed prior legislation (1989) which provided an exemption (treat as a crop) to Western Oregon fast growing hardwood. HB 2883A extends the tax treatment to fast growing hardwoods in Eastern Oregon.

110 Questions and discussion.

112 MOTION REP. WHITTY moved HB 2883A to the full committee with a do pass recommendation.

122 Discussion regarding representatives from Eastern Oregon.

125 VOTE In a roll call vote, the motion was adopted (4-0). AYES: Rep. Whitty, Rep. Clark, Rep. Hosticka, Rep. Parkinson. EXCUSED: Rep. Jones

PUBLIC HEARING - HB

241 9A

134 RAY WILKESON explained that HB 2419A establishes an Oregon Forest Resources Institute modeled after a current agriculture commodity commission which has support from the forestry industry. The Primary purpose is to provide public education with other purposes of research projects. He pointed out that marketing was not a purpose of HB 2419 and explained qualifications for board of directors. Funding for the commission would come from the forest products harvest tax and explained the mechanics of funding.

215 Questions and discussion regarding definition of merchantable forest products.

231 REP. HOSTICKA was concerned with legal implications of what is what is not public money (how taxes are collected and distributed).

253 RAY WILKESON believed a precedent was set from other commodity commissions. He explained various structural requirements and public standards which must be met.

283 REP. SCHROEDER noted his support of HB 2419A.

299 Questions and discussion regarding a public money issue.

300 Questions and discussion regarding public v. private entity and possible constraints.

307 RAY WILKESON discussed public demand over forest industries issues and he addressed public communication issues.

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348 Questions and discussion regarding private research groups and public education regarding the forest industry.

380 REP. HOSTICKA noted interest that a private industry was asking for public assistance. He provided an example of a board of directors and problems associated with how public money was spent.

400 RAY WILKESON believed that an election process as proposed in HB 2419A would address a concern as described by Rep. Hosticka.

TAPE 39 SIDE B

001 REP. HOSTICKA was interested in a legal analysis of appointing authority v. limited elected officials administering public funds.

014 Questions and discussion regarding qualification for board members and tax on public timber.

025 REP. HOSTICKA was concerned with the use of state taxing power for limited purposes and related a past situation involving the Cattleman's Association where grazing fees were used for lobbying. He wanted a review of these issues and if the proposal under HB 2419 related to his concerns.

040 Questions and discussion regarding Commodity Commissions (in general) and the World Forestry Center (Portland).

054 RAY WILKESON noted his request for amendments to establish an interim board of directors who would serve before the permanent board was elected.

067 REP. SCHROEDER explained HB 2419 would provide for distribution of factual information to the public.

080 CHAIR PARKINSON conducted administrative business and adjourned the meeting at 10:11.

Linda Leach, Committee Assistant

Kimberly Taylor, Officer Manager

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EXHIBIT SUMMARY

1. Testimony from Bill Cook, 4/18/91 - HB 2148
2. Example of Option Tax/Treatment Plan, Joe Misek, 4/19/91 - HB 2318
3. Oregon 30% Tax Credit, Joe Misek, 4/19/91 - HB 2318
4. 30% Forestation Tax Credit Rules, Joe Misek, 4/19/91 - HB 2318
5. Proposed Amendments to HB 2319, DOR, 2/19/91 - HB 2319
6. Forestland Flow Charts, Ed Kelly, 4/19/91 - HB 2319
7. Revenue Analysis, LRO, 2/18/91 - HB 2148
8. Fiscal Analysis, LFO, 2/4/91 - HB 2148
9. Staff Measure Summary, House Committee on Agriculture, 4/19/91 - HB 2148
10. Fiscal Analysis, LFO, 2/26/91 - HB 2419
11. Staff Measure Summary, House Committee on Agriculture, 4/19/91 - HB 2419

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