Examining the timber industry's smoke and mirrors claims

The Legislative Revenue Office has done the work of looking at timber taxes. They have shown that ever since the 90's taxes on timberland and harvested trees have gone down even though the industry continued to harvest trees at about the same rate. This is largely because the legislature eliminated a tax on trees when they are harvested.

Two recent presentations opposing the effort to increase timber taxation have provided misleading information regarding timber tax issues. Oregon Forest & Industries Council shared a PowerPoint presentation at the April 8, 2021 House Revenue Committee hearing on HB 2379, and it utilized information from an Ernst & Young study commissioned by OFIC. Ernst & Young presented their study to the Springfield Chamber of Commerce a week later. Confusing at best and distorted at worst, the presentations talk about the taxes paid by the whole wood products industry.

First, let us be clear: no one in the legislature is talking about raising taxes on loggers, lumber mills, flooring producers or manufactured home builders – the whole industry. The legislative focus is only on bringing back a tax when owners timber cut, a tax that the legislature phased out beginning in the 90's. As Economist Ernie Niemi said of that decision, *"Perhaps it was reasonable for the legislature to classify timber as a crop way back when, so that the industry could claim its practices are as benign as growing carrots. But we've learned a lot since then and know that plantations impose huge costs on the ecosystem and communities. And perhaps this is the main point: the proposal to increase the tax on timber is not just a blind money grab. It is, instead, an effort to receive compensation for the huge costs the industry imposes on us all, through practices designed to maximize profits for a few, mostly absentee, landlords."*

Oregon's property tax for forest land taxes the value of the land for growing trees. The value is the same for a given acre whether the land has just been harvested and is empty or has a stand of 100-year-old trees. A tax implemented when trees are harvested taxes the timber itself. Few other businesses have physical assets that are never taxed. It is generous to offer to tax this business asset only once every 30 to 100 years. And that is what HB 2379 does: the proposed severance tax would simply be applied to the landowner's timber when it is cut.

Taxes paid by the whole industry are irrelevant to the discussion at hand, but the whole industry is the focus of the Ernst & Young study. While Ernst & Young could have done an estimate for just the relevant part of the industry, they did not. It would not have told the story they were paid to tell.

There are a lot of other problems with the numbers in the study, but the most outrageous is the Ernst & Young claim that the whole forest industry pays 50% higher taxes than all other Oregon businesses. But forestry is unlike every other business in Oregon. Private forestland occupies 17% of the land mass of the state.

The closest comparison is farming with 26% of the land mass. But when E&Y compared the two industries, they included everything about forestry they could, from growing seedlings to manufactured homes. For farmers, they left out the entire the food processing and manufacturing parts of the industry. Of course, that made the numbers for forestry look higher, but that's comparing apples to oranges and hoping no one would notice.

Forest owners are not being over taxed; they are being barely taxed, and they are imposing costs on us that no other industry is imposing. Clearcutting and toxic chemicals do damage to the environment. They dirty the water, kill fish, emit carbon and abuse roads. Plantation tree farming reduces both water quality and quantity. These landowners are making a considerable amount of money and are imposing large costs on everyone else. If you damage your neighbor's property, you should pay. But they don't pay. They don't even pay for most of the costs of firefighting on their private property. We know of no situation where 50% of the fire protection budgets of a community or industry are paid by Oregon's General Fund as it is for private forestland base fire protection.

Other errors in the Ernst and Young (E&Y) and Oregon Forest & Industries Council (OFIC) presentations:

- Inflated property tax: E&Y and OFIC claim unimproved timber land property taxes of $36.7 million even though the Legislative Revenue Office provided a figure of $25.3 million.

- Harvest tax**:** E&Y and OFIC claim $16.4 million were paid in Harvest Tax, but 22% of timber harvest comes from public lands which reduces the figure to $12.8 million.

- Protection of forest land: OFIC claims our tax and land use laws are retaining Oregon's forestland better than in neighboring states. But the statistics they use bear no relationship to when our laws changed, and OFIC gives no consideration to the varying rates of population growth.

- Fire costs: by using a suppressed-zero graph, not adjusting for inflation, and mixing contributions from publicly owned and privately owned lands, OFIC makes it appear private landowner contributions to fire costs are up dramatically.

Confusing and distorted, their presentations point to the need for a taskforce that has the time to really examine and question what is being said and to chart a way forward.

The costs to everyone else for lost local revenue, pollution of water and fighting of forest fires grows every year. The reason to reinstate a severance tax is to provide revenue to address the costs that the industry imposes on everyone of us.

We read the bills and follow the money