



## **HB 3489 -1: An appropriate timber tax**

House Revenue Committee – Jody Wisner – 4.24.2025

Chair Nathanson and members of the committee, my name is Jody Wisner and I am testifying for Tax Fairness Oregon.

Since the 90s the timber industry has not been paying its fair share of taxes in support of public services. Their property taxes are extremely low, and they only pay the Forest Products Harvest Tax which basically supports their industry, and not the public services they should be supporting. This is true particularly for the large swaths of Oregon timberland previously owned by corporations paying corporate taxes but now owned by REITS. When I say huge swaths, think of the 1.5 million Oregon acres owned by the Weyerhaeuser now organized as a REIT. Weyerhaeuser is the largest timberland owner in the country with nearly 30 million acres owned or managed. It changed from a C-corp to a REIT to avoid paying corporate taxes, as have many large landholders. For more than you want to know about timberland and REITs, there is a link in my written testimony, where you can see that not only have timber owners converted to REITs, but they've convinced Congress to change the structures of REITs to suit their purposes: <https://cdnsiencepub.com/doi/10.1139/cjfr-2021-0085#:~:text=Weyerhaeuser%20is%20the%20largest%20timber,and%20managing%20timberland%20since%202007>

The two most notable elements of HB 3489 -1 are:

- 1) The severance tax would be based on the value of the timber harvested, rather than the volume. Putting a 5% tax on the value of all timber harvested in Oregon on both private and public land would mean low-value lumber would pay less than more profitable cedar and high-quality Doug fir. It continues the carve out of the first 25,000 board feet per year, a tax break that we would eliminate. That could easily be \$25,000 of untaxed income. We believe in taxing all income the same.
- 2) Payors of this harvest tax can use it as a non-refundable credit on their Oregon timber income taxes. As we understand it, but you should confirm this LC and LRO, it would be a credit against their timber income tax, not their income from other sources. This means those owners paying Oregon income taxes on the timber they harvested could essentially be exempt from the timber severance tax. While trees harvested from REIT owned land – be the owners Blackrock, a fund of funds, a public entity like PERS or private individuals – would pay the tax and most would have no Oregon income tax to take a credit on.

Due to the design of REITs (Real Estate Investment Trusts), they essentially pay no state income tax. These Wall Street owners of 40% of timberland would provide most of the severance tax revenue. REITs pay no income tax to Oregon for state services, but other private forest owners, who do pay Oregon income tax will. Local private forest owners tend to harvest on longer than 35-year plantation rotations, thinning their forests periodically in order to reduce wildfire risk and to increase the value of their timber.

Small woodland and rangeland owners and commercial Oregon timber owners will benefit from paying less tax on their hard-to-market, poorer quality logs and for non-commercial thinning than they would pay with a tax based on volume as with the current Harvest Tax.

This measure would bring in more revenue to Oregon and collect similarly to what Washington and California receive from timber businesses.

Revenue distributions from the tax are:

- One third to the Department of Forestry to administer and monitor the Forest Practices Act, for fire suppression, forestry research and education with funding similar to the current Harvest Tax.
- One third to the State Fire Marshal for community resilience and mitigation efforts
- One third to counties where the timber was harvested with no restrictions on their use

The timber industry needs to pay its fair share of taxes, just as do other industry sectors. The counties need to recover more tax revenue as they did before the severance tax was eliminated, forestland owners should contribute more toward fire preparation and fighting and they need to continue to contribute to the education and research that supports their industry.

We support the concept of a severance tax based on the value of timber harvested. This is a reasonable solution and easier to administer than the current Harvest Tax that requires tax rate renewals every two years. We think it will make a big difference in funding wildfire resilience and suppression for the preservation of millions of acres of Oregon forestland now under ever greater threat of wildfire.

*We read the bills and follow the money*