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think about the demographics in these logging communities – they've been hit hard by logging, the people are relatively strapped, and so when the local option comes up and it says, 'We're going to double your property taxes, we're going to pass this measure, do you voluntarily support it?' They say no, then the police services and the emergency services shut down, and it's this bad situation that they're in."

But the rhetoric around foundering county budgets always seems to circle back to the need to cut more timber on public lands with no mention of increasing taxes on the private timber operators still doing big business locally.

That may be because local governments get a much bigger slice of the pie when timber is cut on public lands, but recapturing lost tax revenue from private companies could be beneficial, and it wouldn't require changes to forest management.

"It wouldn't be the total solution, but at the rate the industrial timber has been cut, there is a lot of money missing," said Joseph "Pat" Quinn, who serves on the boards of Umpqua Watershed and Coquille Watershed Association.

He said that with the rising price of Douglas fir and more than \$2 million in timber receipts in Douglas County alone, instead of spending money to lobby Congress to log federal lands, it would be better to drive to Salem and lobby lawmakers to reinstate reasonable severance taxes on private timber companies.

Andy Kerr, the longtime conservation director at Oregon Natural Resources Council (now Oregon Wild), has made similar arguments. He wrote a series of papers on Oregon timber taxes about six years ago, and concluded that private timber companies aren't paying their fair share of local, state or federal taxes.

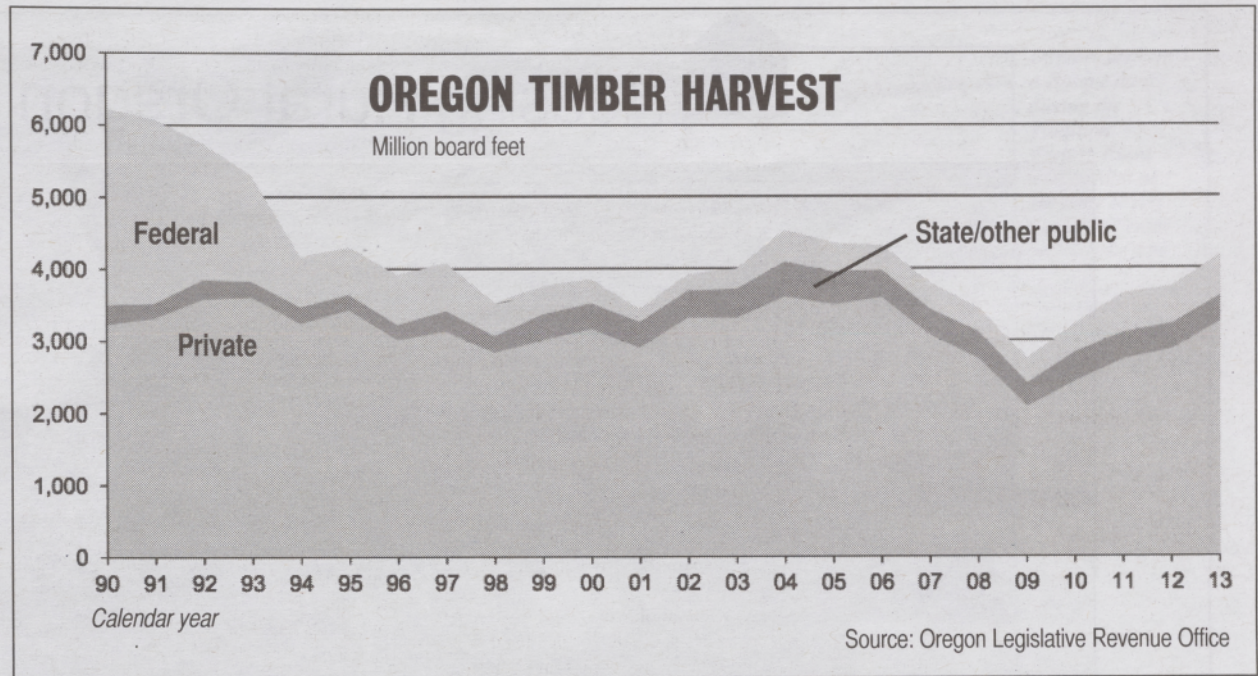
"You can make a dent in the county revenue general fiscal crisis if there was a reasonable severance tax on timber that went to the state coffers," Kerr said. "And if there was a fair property tax system that applied to all land owners, and especially the timber industry."

While Oregon continues to lead the nation in softwood lumber and plywood, many of the paper, pulp and lumber mills that once processed Oregon trees have closed, with much of the production happening in places such as China. Since January of this year, Oregon has shipped \$132.5 million in primarily un-milled, raw logs to Asia, according to U.S. Census Bureau trade data.

This means residents of timber counties aren't just missing out on tax revenue, they're missing out on lumber and paper processing jobs as well. According to the Oregon Office of Economic Analysis, the timber sector employed 80,000 people during the 1970s, but today employs about 30,000.

The closure of Oregon mills and advances in automation are not the only big changes to the industry. During the past decade, many large timber companies, including Oregon's largest, Weyerhaeuser, have converted to Real Estate Investment Trusts (REITs) and Timber Investment Management Organizations (TIMOs).

The reason for the switch is financial. REITs don't pay federal income taxes on



profit paid out to shareholders, and can essentially eliminate income taxes at the firm level, according to a technical report from Linda Wang, a timber tax specialist for the U.S. Forest Service.

The conversion of companies to REIT and TIMO structures is another point of contention for Willer.

He argues that when a timber company is beholden to stockholders – who expect ongoing returns on their investments – it affects the company's harvesting cycles. He said the result is shortened crop rotations that yield smaller volumes of lumber and keep far less standing timber, which equals carbon storage, on the land.

While investor-prompted short rotations is a theory she's heard, Tamara Cushing, a forestry tax expert with Oregon State University's College of Forestry, said it's likely based more on fear of the unknown than actual data.

She said that while crop rotations have shortened overall among forestland operators, it's not necessarily based on whether or not a company has transitioned to a REIT or TIMO. In cases like Weyerhaeuser, "it's the same company underneath," she said. "Their management hasn't really changed, at the end of the day, it's the same people working the ground."

While Wall Street "sounds really far away," she explained, the beneficiaries of many TIMOs, in actuality, may be a lot closer to home. They might be Oregonians who have their retirement or pension funds wrapped up in an investment firm that's working with a TIMO to diversify its portfolio with forestry. In some cases, she said a TIMO can achieve payout through appreciation in land values alone.

Authors of a long-running, forestry-school textbook staple, "Ecological Forest Management," however, pointed to several studies outlining how the conversion of many forests to REITs and TIMOs has shifted the primary focus of corporate forest landowners to achieving a competitive rate of return.

"An individual tree passes financial maturity generally much earlier than at the age which the tree would be considered ecologically mature," they state. "Not surprisingly, this approach to decision

making provides little incentive to maintain legacy trees during harvest, unless income is received for keeping those trees around."

According to a 2014 study, 20 percent of U.S. forestland is corporate.

Willer's research shows that at least 65 percent of western Oregon's private forests are investor-owned. It could be as much as 90 percent, he said, but he was unable to paint a complete picture because he was unable to obtain Tillamook County ownership records due to records fees exceeding \$1,500.

Cost to counties

Roy Keene works as a timber broker and private forest consultant in Lane County, and, like Willer, he's dived into county revenue issues as they relate to big timber taxes over the years.

"I discovered that industry was pretty much writing their own tax policy," he said.

In 2012, he put together a memo for Lane County Commissioner Rob Handy, outlining what he called "numerous subsidies given to Oregon's private forest owners," and how they directly affect Lane County's revenue.

Because standing timber is exempted from property value assessments, he estimated biennial impact of lost tax revenue to Lane County was roughly \$136 million in the late 1990s. In more recent years, due to declining timber volume in forests, the impact is closer to \$41 million in lost revenue to Lane County every two years.

Oregon isn't unique in assessing forestland as if it has no valuable timber attached to it for property tax purposes.

While Washington and Oregon both charge timber companies similarly low property taxes based on productivity levels and other variables, only Washington is recapturing some of the lost county revenue for omitting the value of trees from the land.

Washington charges a severance tax of 5 percent, with 4 percent going to the county where the timber was cut, and the other 1 percent going to the state. In California, all 2.9 percent of its harvest tax goes to the county of origin.

But in Oregon, a flat fee of \$4.32 per thousand board feet is charged, and that revenue, as Ernie Niemi of Natural

Resource Economics, put it, "goes from the industry's left pocket and into their right pocket" because it only pays for programs that benefit the industry.

But is this flat fee of \$4.32 on par with 5 percent? Not even close. Douglas fir sales in western Oregon during 2017 yielded receipts ranging from \$322 per thousand board feet to \$453 per thousand board feet. Five percent of those sales ranges from \$16 to \$22 per thousand board feet – far more than \$4.32. Even when you calculate 5 percent of the value of Douglas fir that was salvaged after a fire, it still amounts to more than what Oregon charges as a harvest tax.

Niemi examined the amount of severance taxes Oregon could have collected in its timber heavy counties over the years if it applied Washington or California's system of taxation. With Washington's system, counties would have collected about \$50 million in 2011, the most recent year he analyzed. With California's system, they would have collected about \$30 million. But instead, they collected about \$10 million, with none benefitting county budgets.

"I'm really not covering anything new here," Willer said of his presentation. "It's all been explored and seldom talked about in polite political circles in Oregon."

Willer said he plans to continue his cross-state crusade, educating activists and other interested parties about Oregon timberland ownership and taxes.

"He got people's blood boiling," said Roger Dorband, who saw Willer's presentation at Clatsop Community College in November. "It's been a topic with our group ever since."

When Willer gave a presentation at the Tillamook County Library last summer, he said seven forest industry representatives attended. We were able to track down one of them, but he declined to comment for this story.

The Oregon Forest Industries Council also declined to comment, and no timber company we contacted – small or large – was willing to go on the record to talk about their tax burden.

"The timber industry is responding," Willer said. "They're trying to put out fires. My job is to fan the flames."