

Tax Reforms Would Remove Handicaps On Timber Industry, Speaker Declares

Timber taxation in Oregon imposes several handicaps for the private operator attempting to maintain a sustained yield forestry program, Klamath Falls Rotary Club members were told Friday. Speaker at the noon luncheon meeting was Irvin H. Luitert, Portland, public affairs manager for Weyerhaeuser Timber Company.

"Proper forest management is everyone's concern, particularly in the state of Oregon," Luitert said. "It is your concern, though you may not own a single acre of forest lands, not a single stick of timber."

Luitert pointed out that more than 50 per cent of the economy of Oregon is directly dependent upon the forests. One out of every two people working in manufacturing plants in Oregon is employed in the forest industries. Sixty per cent of the payroll dollars generated by manufacturing in Oregon are provided by the forests, Luitert pointed out. He also cited the benefits of recreation, water and soil conservation, fish and game, and scenic beauty of the forests as added advantages enjoyed by people of Oregon.

Weyerhaeuser, as one of the private timber operators in the state, has a policy and practice of sustained yield management of forest properties, Luitert explained.

Those operators practicing sustained yield management are actually being penalized under the present tax structure, Luitert said. And, the future holds only additional penalties and declining balances, he added. The tax structure actually is a threat to sustained yield forestry, the speaker explained. The tax laws do not adequately recognize the difference between timber and other classes of property, he said.

Sustained-yield operations are penalized in this way: For property tax purposes the values of merchantable timber are discount-

ed—presently to 30 per cent in the fir region and 35 per cent in the pine—of current market value. (The discount factor will be raised to 35 per cent in 1961 in the fir region also.)

This is done on the theory that all the timber in the state cannot be cut immediately and that it therefore has a "wholesale" value which is less than current market value.

To determine the amount of discount required to arrive at this "wholesale" value, the Tax Commission uses this procedure: It divides the state into two areas, East and West. It then averages out in each of these areas the rate at which all private owners are cutting their merchantable timber. This rate of depletion then determines the amount of discount to be applied against current market value to obtain "wholesale" value, or so-called true cash value for property tax purposes.

In each of these two areas, the timber of all owners is therefore valued on the same basis, as if they were all harvesting their merchantable timber reserves at the same rate.

The net effect of this valuation procedure is this: The future income to be derived from the harvest of timber on sustained-yield operations like Weyerhaeuser's is not being converted to its true present worth. Instead, the sustained-yield operators harvesting their timber reserves in orderly fashion over a long period of time receive less discount against current market values than they deserve by reason of their actual cutting practices. As a result, higher values than are justified are placed on the timber reserves held by such operators. The net effect is to impose on sustained-yield operations an inequitable and harsh tax burden. For Weyer-

haeuser, this tax burden already amounts, in one county, to as much as 26 per cent of the value of the trees cut annually.

The Oregon State Tax Commission has sought to revise the timber tax statutes to provide more equitable treatment for sustained-yield operations and for those who are growing timber to maturity. The commission has submitted to the Interim Tax Study Committee proposals to achieve these objectives.

Proposals with similar, but not identical, objectives were presented to the interim committee by the Industrial Forestry Association and a committee of eastern Oregon pine operators.

The interim committee did not adopt the Tax Commission's proposal. Instead, it adopted with some reservations the Industrial Forestry Association proposal, and, without reservations, the eastern Oregon pine operators' proposal. These proposals will be recommended to the legislature for consideration.

The pine operator's proposal provides for a departure from the ad valorem property tax system for timber. It would replace this with a severance tax system, a tax levied on timber when it is harvested. The forestland, itself, would continue to be taxed as it is at the present time. But the timber would be taxed only at time of harvest. Provision was made in this proposal to raise annually from timber the same amount of revenue for eastern Oregon taxing districts as is being raised under the present system. Thus, there would be no shift in tax from timber to other property.

The Industrial Forestry Association proposal would be applied to western Oregon only. Under this proposal, young unmerchantable timber would be exempt from tax-

ation. All other timber would be valued at 30 per cent of current market value, if the timber is being harvested over a period of less than 30 years. In operations where merchantable timber is being harvested over a period of 30 years or longer, merchantable trees would be valued at 25 per cent of current market value. This 25 per cent valuation factor would be applied for 15 years only. Thereafter the timber would be valued at 30 per cent of current market value.

The Industrial Forestry Association proposal has one more feature. Timber harvested each year would be valued for tax purposes at its full current market value. This feature was included in the proposal to offset any possible loss to the taxing districts of timber tax revenue—loss that could otherwise occur under the proposal because it exempts young, unmerchantable trees from taxation.

It will soon become impossible to practice sustained yield, if the property tax system continues as it is. For this system fails to give enough consideration to the prolonged growing cycle of timber, the deferred returns, and the long exposure to such risks as fire, insects, and disease—factors inherent in timber ownership.



Around and around the Inn walked Reynard, wondering what gift he might bring to the newborn child in the manger.



"I have not even a tail to give to the precious baby," he thought.



Reynard longed to hide, to make himself as small as he must have seemed to the bright star overhead.

LONDON (UPI) — A British naval officer and two Royal Marines have become the first men to climb 9,565-foot Mt. Paget in Antarctica, the admiralty announced Friday night.

Capt. V. N. Stevenson and Cpl. Beverly Todd of the Marines and Naval Lt. Cmdr. M. K. Burley reached the peak Tuesday.

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Jerry Phillips Hurt in Wreck

TULELAKE—Jerry Phillips, 22, is in Klamath Valley Hospital after a one-car crash, Friday night near Tulelake.

Night Officer O. E. Pederson, in reporting the accident, said young Phillips, driving at high speed up to an estimated 90 miles per hour, failed to make a turn near The Inn on State Highway 139 south of town, lost control and rolled the car over "two or three times."

Phillips was in the back seat at the time of rescue, his head through the rear window of the car. The car was demolished.

No charges had been filed late Friday.

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\$155,000 Asked For Education

SALEM (AP) — A request for \$155,000 to continue a program of education for children of migrant workers will be made to the 1961 legislature, Donald Petrie, state Department of Education official, told the Oregon Conference on Migrant Labor meeting here Wednesday.

Petrie headed the migrant labor pilot education program provided by the 1957 legislature. He said the sum requested would be used to provide extra teachers and not for facilities or for capital outlay.

Petrie said migrant children are from two to three years behind in their schooling.

Some 100 persons attended the conference.

Junk Salvager Gets High Honor

CHATTANOOGA, Tenn. (AP)—Mose and Garrison Siskin, who earned a fortune salvaging junk and used it to salvage people, have received the President's Distinguished Service Award for the second time.

The philanthropists are the only individuals ever to receive the award twice. It is presented each year for the greatest national useful employment of handicapped Americans.

No Licenses

SALEM (AP) — The state Department of Agriculture today said Oregon requires no licenses to ship greenery to other states, but some states inspect greenery upon arrival.

NEWCOMER?

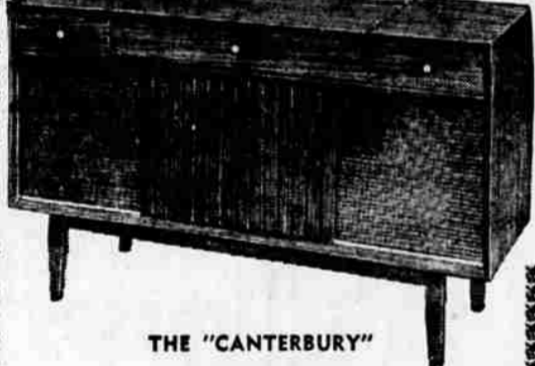
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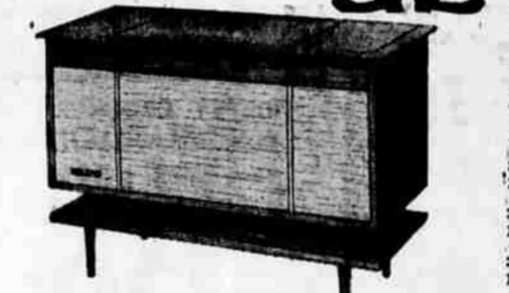
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