

D R A F T

SUMMARY

Imposes tax on privilege of harvesting merchantable forest products in excess of amount of forest growth added by natural forest cover at rate related to federal social cost of carbon. Requires State Forester, in consultation with Oregon Global Warming Commission, to adjust tax rate according to carbon dioxide emissions factor per thousand feet, board measure, multiplied by social cost of carbon. Establishes Forest Carbon Incentive Fund for purpose of providing payments to forestland owners as incentive to reduce carbon dioxide emissions. Provides taxpayer may receive credit against privilege tax for proportion of land managed for continuous increases in carbon storage. Requires Oregon Global Warming Commission to maintain list of approved forest practices that qualify taxpayer to receive incentive payment and tax credit.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to timber harvest taxation to address carbon dioxide emissions;
3 creating new provisions; amending ORS 321.015, 321.017, 321.145 and
4 321.152; prescribing an effective date; and providing for raising revenue
5 that requires approval by a three-fifths majority.

Be It Enacted by the People of the State of Oregon:

7 **SECTION 1.** ORS 321.015 is amended to read:

8 321.015. (1) For the calendar years beginning January 1, 2016, and January
9 1, 2017, there is levied a privilege tax of 90.00 cents per thousand feet, board
10 measure, upon taxpayers for the privilege of harvesting of all merchantable
11 forest products harvested on forestlands. Subject to ORS 321.145, the pro-
12 ceeds of the tax shall be transferred as provided in ORS 321.152 (2) to the
13 Forest Research and Experiment Account for use for the forest resource re-

1 search, experimentation and studies described in ORS 526.215 and for the
2 Forest Research Laboratory established under ORS 526.225.

3 (2) Except as provided in ORS 477.760, in addition to the tax levied by
4 subsection (1) of this section, there is levied a forest products harvest tax
5 upon taxpayers of 62.5 cents per thousand feet, board measure, for the priv-
6 ilege of harvesting all merchantable forest products harvested on forestlands
7 for the payment of benefits related to fire suppression as provided in ORS
8 321.005 to 321.185, 321.560 to 321.600 and 477.440 to 477.460.

9 (3) For the calendar years beginning January 1, 2016, and January 1, 2017,
10 in addition to the taxes levied under subsections (1) and (2) of this section,
11 there is levied a privilege tax upon taxpayers for the privilege of harvesting
12 all merchantable forest products harvested on forestlands in the amount of
13 110.37 cents per thousand feet, board measure, for the purpose of adminis-
14 tering the Oregon Forest Practices Act in an amount not to exceed 40 per-
15 cent of the total expenditures approved by the Legislative Assembly for this
16 purpose, including salary adjustments approved by the Legislative Assembly
17 for fiscal years 2016 and 2017.

18 (4) For the calendar years beginning January 1, 2016, and January 1, 2017,
19 in addition to the taxes levied by subsections (1) to (3) of this section, there
20 is levied a privilege tax of 10 cents per thousand feet, board measure, upon
21 taxpayers for the privilege of harvesting all merchantable forest products
22 harvested on forestlands. Subject to ORS 321.145, the proceeds of the tax
23 shall be transferred as provided in ORS 321.152 (5) to the subaccount estab-
24 lished pursuant to ORS 350.520 for use by Oregon State University for the
25 purpose of making investments in professional forestry education at the
26 College of Forestry.

27 **(5)(a) For the calendar year beginning January 1, 2018, in addition**
28 **to the taxes levied by subsections (1) to (4) of this section, there is**
29 **levied a privilege tax of \$210 per thousand feet, board measure, upon**
30 **taxpayers for the privilege of harvesting all merchantable forest pro-**
31 **ducts harvested on forestlands. The tax shall be imposed on forest**

1 **products harvested in excess of the amount of forest growth added by**
2 **natural forest cover, as determined under paragraph (d) of this sub-**
3 **section, on the taxpayer’s forestlands in the prior tax year.**

4 **(b) On or before July 1 of each year, the State Forester, in consul-**
5 **tation with the Oregon Global Warming Commission, shall adjust the**
6 **tax rate imposed under paragraph (a) of this subsection to equal the**
7 **product of:**

8 **(A) A carbon dioxide emissions factor per thousand feet, board**
9 **measure, adjusted to account for the proportion of carbon dioxide**
10 **stored in long-lived wood products; and**

11 **(B) The inflation-adjusted average federal social cost of carbon, as**
12 **published by the United States Environmental Protection Agency, less**
13 **three percent.**

14 **(c) The State Forester, in consultation with the Oregon Global**
15 **Warming Commission, may further adjust the tax rate, as adjusted**
16 **under paragraph (b) of this subsection, for the subsequent tax year to**
17 **reflect the best available scientific information at the time of the ad-**
18 **justment and to account for differences in species harvested, site pro-**
19 **ductivity, geographic regions, forest product end uses and any other**
20 **factors the State Forester considers relevant.**

21 **(d) On or before July 1 of each year, the State Forester, in consul-**
22 **tation with the Oregon Global Warming Commission, shall publish**
23 **guidelines for computing the volume added by natural forest cover on**
24 **a taxpayer’s land in the prior tax year. The computation must vary**
25 **with geographic region, age class, dominant species, site productivity**
26 **and any other factors the State Forester considers relevant. For pur-**
27 **poses of this paragraph, “natural forest cover” does not include re-**
28 **planted stands of tree less than 15 years old, timber plantations or the**
29 **area occupied by logging roads or other infrastructure.**

30 **(e) Forest products harvested in association with payments and**
31 **cost-share assistance under section 6 of this 2017 Act are exempt from**

1 **the tax imposed under this subsection.**

2 **(f) Subject to ORS 321.145, the proceeds of the tax imposed under**
3 **this subsection shall be transferred as provided in ORS 321.152 (6) to**
4 **the Forest Carbon Incentive Fund established under section 6 of this**
5 **2017 Act.**

6 [(5)] **(6)** Subject to subsection [(6)] **(7)** of this section, **and except as**
7 **otherwise provided in subsection (5) of this section,** the taxes shall be
8 measured by and be applicable to each per thousand feet, board measure, on
9 the total quantity of forest products harvested in this state measured by use
10 of any log scale which is or may be in general use in the logging industry
11 and which is designed to measure total volume of merchantable forest pro-
12 ducts in board feet. However, if the Department of Revenue finds that the
13 scale used by any taxpayer in computing the taxes due under ORS 321.005
14 to 321.185 and 321.560 to 321.600 does not accurately reflect the total quantity
15 of merchantable forest products harvested by the taxpayer, it may require the
16 taxpayer to adopt another log scale in general use in the industry which in
17 the department's opinion will accurately reflect merchantable harvest in
18 board feet.

19 [(6)] **(7)** The first 25,000 feet, board measure, of forest products harvested
20 annually by any taxpayer during each calendar year shall be excluded from
21 the total quantity of harvested forest products that constitutes the measure
22 of the taxes under ORS 321.005 to 321.185 and 321.560 to 321.600.

23 **SECTION 2.** ORS 321.017 is amended to read:

24 321.017. (1) In addition to the taxes levied under ORS 321.015 (1) to [(4)]
25 **(5),** there hereby is levied a privilege tax upon taxpayers on the harvesting
26 of all merchantable forest products harvested on forestlands in the amount
27 provided in subsection (2) of this section.

28 (2) The rate of tax levied in subsection (1) of this section shall be estab-
29 lished annually at the beginning of each calendar year by the board of di-
30 rectors of the institute, at a rate not to exceed 75 cents per thousand feet,
31 board measure, on all merchantable forest products harvested on forestlands.

1 The maximum tax rate prescribed by this subsection may be increased by the
 2 board of directors in an amount equal to the previous year's increase in the
 3 Consumer Price Index (Portland area -- all items) as published by the Bureau
 4 of Labor Statistics of the United States Department of Labor for the
 5 Portland, Oregon, area.

6 (3) The tax shall be measured by and be applicable to each per thousand
 7 feet, board measure, and such shall be subject to and determined by the
 8 procedures and provisions of ORS 321.015 [(5) and] (6) **and (7)**.

9 (4) The tax levied by subsection (1) of this section shall be due and pay-
 10 able to the Department of Revenue in the manner and procedure, including
 11 penalties and interest, as set forth for the collection of the privilege tax in
 12 ORS 321.005 to 321.185.

13 (5) The revenue from the tax levied by subsection (1) of this section shall
 14 be remitted to the State Treasurer who shall deposit it in a suspense account
 15 established under ORS 321.145 (1). After payment of refunds, which shall be
 16 paid in the same manner as other forest products harvest tax refunds are
 17 paid in ORS 321.145 (2), the balance of the additional tax imposed under
 18 subsection (1) of this section shall be deposited in the Oregon Forest Re-
 19 sources Institute Fund.

20 **SECTION 3.** ORS 321.145 is amended to read:

21 321.145. (1) The revenue from the taxes levied by ORS 321.005 to 321.185
 22 and 321.560 to 321.600 shall be remitted to the State Treasurer who shall
 23 deposit it in a suspense account established under the provisions of ORS
 24 293.445.

25 (2) Notwithstanding the provisions of ORS 291.238, the amount of moneys
 26 necessary to pay refunds of the taxes levied under ORS 321.015 (1) to [(4)]
 27 **(5)** hereby is appropriated continuously to the Department of Revenue from
 28 the suspense account referred to in subsection (1) of this section, and shall
 29 be used by the department for the payment of all refunds of taxes levied
 30 under ORS 321.015 (1) to [(4)] **(5)** that have been audited and approved by the
 31 department. Any penalties, interest and taxes then due from the taxpayer

1 shall be applied in that order in computing any refund, and only the balance
2 due the taxpayer, if any, shall be refunded. The department shall on its re-
3 cords charge each refund against the revenue from the tax with respect to
4 which the refund is made.

5 **SECTION 4.** ORS 321.152 is amended to read:

6 321.152. (1) Subject to ORS 321.145 (2), moneys remaining in the Depart-
7 ment of Revenue's suspense account referred to in ORS 321.145 on February
8 10, May 10, August 10 and November 10 of each year shall be transferred to
9 the respective appropriation accounts described in subsections (2) to [(5)] **(6)**
10 of this section.

11 (2) That part of the moneys derived from taxes levied by ORS 321.015 (1)
12 shall be transferred to the Forest Research and Experiment Account de-
13 scribed in ORS 321.185.

14 (3) That part of the moneys derived from taxes levied by ORS 321.015 (3)
15 shall be transferred to the State Forestry Department Account referred to in
16 ORS 526.060. Notwithstanding ORS 291.238, the moneys transferred to the
17 State Forestry Department Account under this section are appropriated
18 continuously for and shall be used by the State Forester, under the super-
19 vision and direction of the State Board of Forestry, for the purposes of ad-
20 ministering the Oregon Forest Practices Act and the forest practices
21 monitoring program.

22 (4) That part of the moneys derived from taxes levied by ORS 321.015 (2)
23 shall be transferred to the Oregon Forest Land Protection Fund described in
24 ORS 477.750.

25 (5) That part of the moneys derived from taxes levied by ORS 321.015 (4)
26 shall be transferred to the subaccount established pursuant to ORS 350.520.

27 **(6) That part of the moneys derived from taxes levied by ORS 321.015**
28 **(5) shall be transferred to the Forest Carbon Incentive Fund estab-**
29 **lished under section 6 of this 2017 Act.**

30 **SECTION 5. Sections 6, 7 and 8 of this 2017 Act are added to and**
31 **made a part of ORS 321.005 to 321.185.**

1 **SECTION 6.** (1) The Forest Carbon Incentive Fund is established in
2 the State Treasury, separate and distinct from the General Fund. In-
3 terest earned on moneys in the fund shall be retained by the fund.

4 (2) The fund shall consist of:

5 (a) Revenue collected under ORS 321.015 (5) and transferred pursu-
6 ant to ORS 321.152;

7 (b) Interest earned on moneys in the fund;

8 (c) Gifts, grants and donations made to the fund by any public or
9 private source; and

10 (d) Any moneys transferred into the fund as provided by law.

11 (3) Moneys in the fund are continuously appropriated to the State
12 Forester for purposes of providing payments to forestland owners for
13 carbon storage and cost-share assistance for practices that enhance
14 carbon sequestration and carbon storage capacity of a site relative to
15 existing site conditions. Moneys may also be used to pay costs incurred
16 by the State Forester and the Oregon Global Warming Commission in
17 administering the provisions of, and in conducting research in support
18 of the duties imposed under, sections 1 to 8 of this 2017 Act.

19 **SECTION 7.** A taxpayer may receive a credit of up to 50 percent
20 against the tax imposed under ORS 321.015 (5) for the proportion of
21 forestlands on the taxpayer's land that is managed for continuous in-
22 creases in carbon storage, notwithstanding carbon dioxide emissions
23 associated with wildfires and other natural disturbances, up to levels
24 expected from natural forests occupying those lands, as verified by
25 agreements with independent third parties.

26 **SECTION 8.** The Oregon Global Warming Commission shall main-
27 tain a list of:

28 (1) Approved forest practices that qualify a taxpayer subject to the
29 tax imposed under ORS 321.015 (5) to receive payments described in
30 section 6 (3) of this 2017 Act and credits under section 7 of this 2017
31 Act.

1 **(2) Entities authorized to provide independent third-party verifica-**
2 **tion of forestland management status as described in section 7 of this**
3 **2017 Act.**

4 **SECTION 9.** **It is the intent of the Legislative Assembly in imposing**
5 **the tax under ORS 321.015 (5) to recoup the damage to Oregon’s cli-**
6 **mate and climate resilience that is associated with timber plantations,**
7 **chemical sprays, logging roads, clearcutting and other intensive forest**
8 **practices and encourage practices that maximize carbon sequestration**
9 **and carbon storage on the land.**

10 **SECTION 10.** **Section 9 of this 2017 Act is repealed on January 2,**
11 **2023.**

12 **SECTION 11.** **This 2017 Act takes effect on the 91st day after the**
13 **date on which the 2017 regular session of the Seventy-ninth Legislative**
14 **Assembly adjourns sine die.**

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