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

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

SECTION 1. ORS 321.015 is amended to read:

321.015. (1) For the calendar years beginning January 1, 2016, and January 1, 2017, there is levied a privilege tax of 90.00 cents per thousand feet, board measure, upon taxpayers for the privilege of harvesting of all merchantable forest products harvested on forestlands. Subject to ORS 321.145, the proceeds of the tax shall be transferred as provided in ORS 321.152 (2) to the Forest Research and Experiment Account for use for the forest resource re-
search, experimentation and studies described in ORS 526.215 and for the Forest Research Laboratory established under ORS 526.225.

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

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

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

(5)(a) For the calendar year beginning January 1, 2018, in addition to the taxes levied by subsections (1) to (4) of this section, there is levied a privilege tax of $210 per thousand feet, board measure, upon taxpayers for the privilege of harvesting all merchantable forest products harvested on forestlands. The tax shall be imposed on forest
products harvested in excess of the amount of forest growth added by
natural forest cover, as determined under paragraph (d) of this sub-
section, on the taxpayer's forestlands in the prior tax year.

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

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

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

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

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

(e) Forest products harvested in association with payments and
cost-share assistance under section 6 of this 2017 Act are exempt from
the tax imposed under this subsection.

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

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

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

SECTION 2. ORS 321.017 is amended to read:

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

(2) The rate of tax levied in subsection (1) of this section shall be established annually at the beginning of each calendar year by the board of directors of the institute, at a rate not to exceed 75 cents per thousand feet, board measure, on all merchantable forest products harvested on forestlands.
The maximum tax rate prescribed by this subsection may be increased by the board of directors in an amount equal to the previous year’s increase in the Consumer Price Index (Portland area -- all items) as published by the Bureau of Labor Statistics of the United States Department of Labor for the Portland, Oregon, area.

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

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

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

SECTION 3. ORS 321.145 is amended to read:

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

(2) Notwithstanding the provisions of ORS 291.238, the amount of moneys necessary to pay refunds of the taxes levied under ORS 321.015 (1) to [(4)] (5) hereby is appropriated continuously to the Department of Revenue from the suspense account referred to in subsection (1) of this section, and shall be used by the department for the payment of all refunds of taxes levied under ORS 321.015 (1) to [(4)] (5) that have been audited and approved by the department. Any penalties, interest and taxes then due from the taxpayer
shall be applied in that order in computing any refund, and only the balance
due the taxpayer, if any, shall be refunded. The department shall on its re-
cords charge each refund against the revenue from the tax with respect to
which the refund is made.

SECTION 4. ORS 321.152 is amended to read:

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

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

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

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

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

(6) That part of the moneys derived from taxes levied by ORS 321.015
shall be transferred to the Forest Carbon Incentive Fund estab-
lishedunder section 6 of this 2017 Act.

SECTION 5. Sections 6, 7 and 8 of this 2017 Act are added to and
made a part of ORS 321.005 to 321.185.
SECTION 6. (1) The Forest Carbon Incentive Fund is established in
the State Treasury, separate and distinct from the General Fund. In-
terest earned on moneys in the fund shall be retained by the fund.

(2) The fund shall consist of:

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

(b) Interest earned on moneys in the fund;

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

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

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

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

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

(1) Approved forest practices that qualify a taxpayer subject to the
tax imposed under ORS 321.015 (5) to receive payments described in
section 6 (3) of this 2017 Act and credits under section 7 of this 2017
Act.
(2) Entities authorized to provide independent third-party verifica-
tion of forestland management status as described in section 7 of this
2017 Act.

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

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

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