

CLARENCE BARTON

This is an interview with Clarence Barton of Coquille, Oregon, on July 12, 1966.

To account for my interest in the timber taxation, I would have to go back to that period of time in about 1956 before I ran for the Legislature, and what prompted my interest initially was that a couple of partners and myself owned a small tract of timber in northern Coos County. So, the County had 60 acres of third growth and reproduction that lay next to our tract, and they put it up for sale on a sale-bid auction, and one of my associates was a timber cruiser, so we undertook to look at it with the thought of bidding on it, and I know a friend who logged in the northern part of the county. He also cruised this particular piece with the idea, perhaps, of trying to buy it, but in any event, it was sold by the County on a sale bid for 39,000 some hundred dollars, and I just assumed, well here is, now the County will know what the timber sold for, because after all, they were the seller in this case, and this certainly was the case of a willing buyer and a willing seller.

The timber was advertised and sold according to law, and I imagined that immediately the Assessor would put it on the tax roll at the \$39,000 figure, or something close to that. Lo! and behold, when the next time I looked, which was the following year, to see what it was assessed at, it was done at about, oh, \$600, something of the sort, and I think the taxes on it were about \$16.00 a year, and this got me to thinking that this is a funny situation, that on this basis, the home I was living in was worth \$150,000. So, I was talking to my wife one morning at breakfast and complaining about this, and she said, "Well, why don't you do something about it and put your money where your mouth is?" As a result, that was when I first filed for the legislature, and I still didn't know anything about timber taxation, except that here was a piece at \$39,000 that was assessed for \$600.

So, when I got to Salem, I was named Chairman of the House Tax Committee, and I immediately had to learn something about taxation and in a hurry.

Well, at that time Sam Stewart was Chairman of the State Tax Commission, and he was, as I recall, in charge of the Valuation Division there. He handled that aspect of it as compared to the income tax and taxes on utilities, and so on, and the Commission had about 55 or 60 bills that they had prepared for introduction, and Dick Eymann, who was then just newly elected representative from Lane County, and the Vice Chairman of my Committee, as I recall, and the Chairman of the Senate Tax Committee, who I believe was Walter Pearson. We went over and previewed these bills, and Sam Stewart and some of the personnel from the Tax Commission explained the content to us and what there was, we determined what ones to introduce in the House and what ones to introduce in the Senate.

Well, among these 50 or 60 bills were two bills that pertained to timber taxes, as I recall, and I don't remember the numbers of them. You may or you can certainly refer back to them, or Sam Stewart might -- 57, 209 and 821? But anyway, it introduced, I think, for the first time the theory that timber that was to be removed immediately would be assessed and taxed at a higher rate than that that was to be held, and it attempted to write into the law some of the principles of Julian Rothery had come up with in his little book, and incidentally, I was given a copy of the Rothery study, and I learned then, after I read it, why a \$39,000 tract of timber wasn't necessarily assessed at \$39,000. Now I might add that there wasn't anybody then who knew a great deal about timber taxation, and this is back in 1957, and when anybody developed any expertise in the field, and they usually developed it as an employee of the State Tax Commission, why then they were hired by one of the timber companies. These people were in short supply and were in large demand, and if you tried to find out about anything, it was difficult to do, and I had the feeling that maybe some of the information we got wasn't entirely *reliable* obtainable. Now whether this is true or whether it wasn't, I am not able to say, but I did have that feeling.

But anyway, with this Bill 209, there developed, upon introduction and work on 209, there developed a cleavage among some of the major factors in the timber industry, and this united front, as it had theretofore existed, sort of crumbled for a while, and we had some of the timber companies who were

long-term cutters, and on a sustained-yield basis who embraced the principles of 209 and advocated the passage of the bill, and there were others who were cutting more rapidly who weren't too friendly to the bill, and who opposed it, and so with that background, I guess we eventually in Oregon -- over a period of four years, and through interim committee studies, and through studies that we made as individuals, and through studies that we made as legislative committees during sessions -- attempted to write into the Oregon law a recognition of the fact that timber that was going to be held would be taxed at a lower rate than timber that was going to be harvested.

We recognized as legislators, and as the people were interested in the industry in Oregon, which is the life blood of Oregon's economy, that we had to have a tax program that permitted the old growth timber to be harvested over a long period of time, and to try to stretch it out until we arrived at the second growth economy, and this is what I wanted to accomplish, to forestall the, to write a tax bill that would forestall the necessity for immediate liquidation of the old growth stands because of the tax, and to permit them to be harvested in an orderly fashion, and to bring in the second growth, as is being done now in parts of Southwestern Washington -- Grays Harbor County, Pacific County -- and as Crown Zellerbach's corporation is doing in Clatsop and Columbia Counties.

Mr. Ogle: The reason I wrote this up was because of the different points of view that you had to contend with in the legislature from the people that had old growth timber, that they wanted some concession, of course, and people that had old growth timber that they were going to cut right away, the people who had more of a second growth economy, and weren't interested in carrying somebody because of their decision to hold the old growth timber for a long time for purely reproduction economy, and the contentions that came up in the legislature, and the problems that you had in trying to iron those philosophies out.

Mr. Barton: Well, as I say, we had starting back in 1957, you had this split between what I would call the two major companies in Oregon, and the sides were chosen up in the industry behind these two leaders, and we who were interested in timber taxation at that time felt that over the long pull, these

people who were trying to stretch their old growth out, and to make it go until the second growth matured, and then they could be on truly a sustained-yield program. That they, well they, this was a higher and better use of the timber and ought to be encouraged, and I was particularly impressed by this study of Grays Harbor County, Washington, which I mentioned to you, because if you will recall, shortly after World War I they went into Grays Harbor and started cutting, and cutting rapidly, so, for example, this thing starts out by saying: "The striking case history of a timber dependent community that overcuts timber", provided by Grays Harbor County, Washington.

In 1925, privately sawed timber volume in the County was slightly under 20 million board feet. The average annual log production for the County for the five years, from 1925 through 1929, was 1.6 billion board feet, primarily from private lands -- roughly a 12 to 13-year depletion rate. By 1929 the cut was more than 1.7 billion board feet out of remaining volume of around 13 billion -- a depletion rate of less than 8 years. The story of the Grays Harbor economy over the next 25 years, in contrast to the rest of Washington State, is told in the following comparisons, so from 1930 to 1958, while the State of Washington itself increased in population by 1.2 million, Grays Harbor sustained a loss of about 3,000. While the population of the rest of Washington was increasing 80%, Grays Harbor population decreased 6%, and the same thing happened in manufacturing jobs. The number of wage earners in manufacturing jumped in Washington from 114,000 to 192,000 from 1929 to 1954, while in Grays Harbor County, it declined from 10,800 to 7,500, and the same thing with payrolls. Payrolls in Washington increased roughly 500% from 1929 to 1954, but in Grays Harbor County they increased approximately 82%. So, property taxes were collected and levied in Washington increase from 97 million to 123 million. Grays Harbor County, they declined from 2.9 million to 2.3 million. And this is what happened with the cut-and-get-out economy, and this is what I was afraid was going to happen here.

At the time of which I speak, one of the larger companies in Coos County was cutting one million feet a day, cutting and was being shipped, and this was just on one of their operations. So this alarmed me, because it was evident that they weren't growing timber as fast as they could cut it, and now, in addition,

they had some financial problems, and I am not criticizing them, they probably did what they had to do in order to become the type of operation they now are, but they were cutting, and they were exporting logs, and they did this, I think, as a matter of economic necessity, but they were selling Coos County logs not only abroad, but outside of the area here. So, my thought was to try to -- that the timber wasn't going to be here very long at the rate they were cutting, therefore, we had better get the tax out of it while it was here. They were going to cut regardless of the tax program. This to me was evident. The taxes weren't, they weren't the dominant force that -- causing the liquidation of the stand of timber. There were extraneous things that caused that, and it didn't seem to me to be equitable that timber that was only going to be here for 7 or 8, or 9 or 10 years, at the very most, would pay an annual tax equivalent to that old growth timber that was going to be on the ground for 25 or 30 or 40 years.

Mr. Ogle: Well, of course, there is a limit I suppose to the length of time they can hold that old growth. It begins to go back.

Mr. Barton: There is undoubtedly deterioration, but I am going to have to name a name here, but let us take the Weyerhaeuser operation in this county. They first went in the Millicoma Tree Farm, and they spent not thousands, but I would say hundreds of thousands, and perhaps even millions of dollars in developing a road that goes throughout this roughly 350 thousand acres of timber land they have in the Millicoma Tree Farm, and their foresters, because of this network of roads, that they put in, were able to go in, and if there was bug damage or winter fall, or something like that, or deterioration through age, they could go in and move that out fast and avoid what would we say, avoid a great bulk of the loss through whatever it might be.

Mr. Ogle: I might just ask what you think of the future, if any, of the Forest Fee and Yield Tax?

Mr. Barton: Well, I thought it was a good thing originally. Now it was passed, of course, as I recall, in 1929, and at that time timber wasn't of any great value, and let's take here in Coos County -- they went in and they logged out the Port Orford, white cedar, and there wasn't any market for the fir, and the fir was going back to the County, or the cutover lands were going back to the County the minute the things were cut. Well, all of this does is lower

your tax base, and the property that remains in private ownership has to pick up the burden for that the County had taken back, so it was passed with the idea of permitting timber land owners to grow a new crop of trees and put a nominal forest fee, which was 5¢ an acre, as I recall at the time, it was raised to 10¢, by keeping it in private ownership and then keep the yield. Now this was fine and dandy because timber back in those days, if it sold -- it all was selling for 50¢ M-FBM, \$1.00 M-FBM on stumpage, that was what the stumpage was going for, so the 12½% yield tax wasn't too great a burden. Nobody paid too much attention to it, but then when timber went up to 30 and 40, and 50 and 60, even dollars on the stump, and in some cases higher, then the 12½% was a substantial figure, and so most major factors in the industry wanted to get out from under forest fee and yield tax. I don't know, I think that is going to be dependent upon the stumpage market what the future is going to be.

This is a report of the Interim Committee on State and Local Revenues, January, 1939, and which is a regular Interim Committee. Charles Galloway was the Chairman, B. T. Bean was the Secretary, and one of the points that they recommend, that forest lands be evaluated by the State Tax Commission to promote equality between counties and the conservation of such properties under a state-wide plan, in which factors the sustained yield and deferred harvesting may receive adequate consideration. Now, that is broad state plan to be adopted in respect to the acquisition and management of tax reverted lands to provide ordinary disposition of those suitable for return to private ownership, and the development of cutover and submarginal lands as reforestation and grazing areas in public ownership. That's the gist of it. State of valuation of forest lands, pages -- I never heard of it -- there are 2½ pages on it in the report. I found that when I was on these interim committees that we weren't really dealing with anything new, that this ground had been plowed and replowed through the years back. Here is one in 1946 which Carl Chambers was the Chairman. See if there is anything on timber in it. Assessment of forest lands, page 21. You had access to these.

Mr. Ogle: I think probably they are in the Tax Commission Library and, but I haven't dug into...

Mr. Barton: The Tax Study Committee recommends that the Tax Commission be given the authority to determine the valuation of forest lands to promote

equality of taxation and conservation under sustained yields or deferred harvesting. This is substantially the same thing as they recommended in 1939, and I guess it is what you, that is, maybe, the bill that Roy Carter introduced sometime or other that you were telling me.

Mr. Ogle: No, Carter's bill was a bill to authorize the State to borrow money from the Federal Government, and there would be a deferment of timber taxes, and the taxes to local government would be paid out of this fund from what they borrowed from the Government, and then all of the money that was collected in taxes at the time of severance would be plowed back into the fund.

Mr. Barton: Here is another one for 1950. It doesn't have anything that I see in the index on timber taxation.

Here is another one, Carl Chambers, 1950. They don't seem to have gotten any timber on it here. It has more to do with income tax.

Here is one in 1953. Here is a 53-55, and that is the last one I have.

Mr. Ogle: One in Tax Interim Committee of '58. In talking about the forest fee and yield tax in the probable future, did you in Coos County, did they experience the difficulty of having, and you, being in the title business, would know pretty much about that, having some land that had been classified under the forest fee and yield tax being brought up by a larger owner ^{or} and maybe ~~by~~ an island out in the middle of their holdings.

Mr. Barton: No, I don't think there was too much of that.

Mr. Ogle: There wasn't too much yield tax land in Coos County?

Mr. Barton: No, there wasn't so much yield tax land in Coos County.

Oh they, I wouldn't have any idea how much in number of acres here, but I don't think that, I don't think they ever had that problem particularly. I'll tell you what happened on most of it. Most of it that was under, was put under, was owned by the County at the time it was put under, and it was put under in 19-- let's see, I think 1931 and 1935, and in through that era -- and these were lands that the County had already foreclosed, and there was quite a block of them over in the Coos River water shed primarily, about 6,000 acres, that the County then turned over to the State Board of Forestry for management purposes. The State Board of Forestry, I think, gets 15%, and the County is supposed to get 85%. It is the same situation that they had in Clatsop County.

Mr. Ogle: 75%. The State 75%.

Mr. Barton: 75% - 25% is it?

Mr. Ogle: There are two different types -- one, 75-25 and the other 90-10.

Mr. Barton: I just, I know there is about, and then there are pieces around, but there wasn't any great problem in Coos County about that, but I don't think anybody has put anything under reforestation in recent years.

Mr. Ogle: Well, in talking with Bill Locke, there is no secret about that, of course, the Crown Zellerbach people were somewhat in sympathy with the theory that old growth timber shouldn't have any concession like the 15-year period that was given old growth timber. Probably the only grounds that their operation was primarily second growth economy, forest economy, and as I understand it, they have ironed out a lot of the difficulties they had with forest fee and yield tax law, and are fairly well satisfied. Not to the point where they would want to reclassify, to classify any of their lands at the present time other than what are classified, but at the same time, they are living with it, and I think probably Clatsop and Columbia Counties are the two counties that are in a position where it is compatible.

Mr. Barton: If they could live with it, with the operation that they had up there in Clatsop and Columbia Counties, why then I think anybody could live with it, because it would seem to me -- some of the difficulties that I heard about as a member of the Legislature in Oregon to the forest fee and yield tax, was the hard-nosed attitude that the Tax Commission took on the harvesting of this stuff, and the values that the Tax Commission personnel attempted to assign to the timber for the purpose of applying the 12½% yield tax. Now Crown Zellerbach would be a classical example of where they would really run into difficulty, I would think, because they were doing thinnings, and, in fact, they thinned their stands of reproduction not one, but perhaps several times during the course, and so they would take out these poles, and this seems to me would be a real nuisance.

Now we attempted to clean up the forest fee and yield tax law; that was in 19-- , oh golly, 1959, and then some more in '61 to make it easier to do these things ---- falling snags and salvage logging, and that sort of operations.

The Tax Commission was driving these people nuts. Now as I say, if Crown Zellerbach figures they can live with it, either the Tax Commission is using a lot different method of procedure that is more agreeable to the operator, or else the law has taken care of it.

You mean the situation here? Well, the situation here was that in the '30s, well even in the late '20s, the market for cedar, there was a market for cedar, cedar got up to, oh, I watched a raft break loose in the Coquille River and a fellow named George Gothrow watching these logs float out to see, and each time a log would float by he would say: "There goes \$100 -- there goes \$100", but they cut the cedar, and there was no market for the fir, and they left the fir. It was mature merchantable fir, but just no demand for it, and this stuff went under forest fee and yield tax, and I have often wondered whether really the -- I always thought the law was designed to grow a completely new crop.

Mr. Ogle: The law, I don't remember just when, it was changed to that, but it said that was completely cutover or denuded of forest products in 1928, or had no forest products on the tax roll in 1928, so they started from 1928. Started from scratch there in 1928, or the 1929 law, so that was where they were supposed to start from. There was another proposal that was made which -- forest fee and yield tax bill -- which provided that no tax would be paid until the termination of the contract.

Mr. Barton: I never ran into one of those contracts either. It would be a better record, it would seem like, wouldn't it?

Mr. Ogle: Yes, it would.

Mr. Barton: Never seen them. They were just a classification by the State Board of Forestry, so in describing them by government subdivision, was placed under the forestry and unit tax.

Mr. Ogle: The difficulty there was, you see, they didn't pay any tax until the termination of the contract on selectively cut area, or an area where the contract was renewed, they could go on forever and ever and never have to pay the taxes until the termination of the contract.

Mr. Barton: It was a fluke in the law.

Mr. Ogle: It didn't pass, but anyway, that is the way it was.

Mr. Barton: But I don't think that any great problems have occurred down here on forestry and yield tax. I didn't hear of them, let's put it that

way, if there were. I didn't hear the complaints generated in Coos County. We didn't here like from some of the other places.

Mr. Ogle: In your title business did you, you probably didn't, but in some areas there was some question. When forest fee and yield tax lands were transferred to Federal Government as to whether or not the owner could give clear title to the Federal Government when the lands were classified under the forest fee yield tax, and they had a Supreme Court decision on that, and I have the citation too, up in the office, that it was the products that there was a tax on, and that it didn't cloud the title on the land. Did you run into that?

Mr. Barton: Well, the only time we ever ran into it, when we planted a piece of property that was classified and it was so indicated on the tax roll card. That would be where you would pick it up first. You would pick it up when you checked the taxes, because you would see there was no ad valorem taxes levied, just the fire patrol, plus the 5¢ an acre, why then we always put an exemption in our preliminary report, or in our policy, subject to order No. such and such of the Oregon State Board of Forestry, dated such and such a date, classifying this land under the forest fee and yield tax. Now there hasn't been too much property transferred to the Federal Government. There were a few isolated exchanges of land between the Bureau of Land Management and some farmers around and some ranchers, and so on, where they would want to pick up a piece of BLM land that maybe adjoined their holdings, and the BLM would agree to trade for something, and so the farmer, and it usually was a farmer, would go and find something the County had and buy it and they would make the exchange. This is, was, in the nature of a blocking thing. I think the BLM perhaps indicated areas where they might be interested in exchanging for, and I know, well I know the last one that I ran into was an exchange of lands up at Remote for lands in Josephine County, even -- see, it was in another county.

Mr. Ogle: Was what, if you remember, in detail, what is the basic difference between 209 in the 1957 session and H. B. 14?

Mr. Barton: Charley, I would have to sit down and go over those bills and the many versions of H. B. 14. I thought about this since you wrote me.

Mr. Ogle: Engrossed, reengrossed, etc.

Mr. Barton: I just couldn't answer you right off. The cruises that were being used in Coos County up until reappraisals were made in 1913, and they were extremely sketchy, and in the first place they weren't accurate because they only high-graded the timber, and so all the timber wasn't accounted for, and then they hadn't kept up with any growths, to speak of. The fact that there was a definite increase per thousand feet per acre, until the forest reached a static condition, there wasn't anything given to that, so these cruises were, I would say, unreliable. That was one of the things. Timber generally, here, well let's put it this way, it seemed to me that in each county there is a dominate interest. For example, in Sherman County or Gilliam County it is the wheat growers. In Malheur, in Harney and Lake County it is the stock people. In Jackson County it is the pear growers, and in Hood River County it is the apple growers. In Coos County it was the timber owners, timber companies, and generally speaking, these people were powerful economically and politically in their respective counties and to a degree received special tax treatment at the hands of the local tax authorities and the local assessors. I think this is pretty well true.

So, as I say, the cruises that were used here were cruises that were made in 1913 and they were sketchy at best. This can be shown in an analogy when you compare what Georgia Pacific, or take what the Georgia Pacific paid for the Coos Bay Lumber Company and the cruises that the Coos Bay Lumber Company -- were themselves faulty and there was a reason for this, too, I have been told. Now I don't know, but the cruise map should show 10 million feet on a 160 acres, and this was what the record showed at Baker Fentress or Minneapolis or some place, so they would take off 14 million feet on a 160 acres and make themselves look good, but they would leave 8 or 10 million feet left on the ground and on the stump, and I don't think Coos Bay Lumber Company even knew what they had, but Georgia Pacific knew what there was there by the time they got through with it, because they got this fellow Kendall Wood in here. I don't know, do you know him? Well, Ken Wood appreciated those lands, for I think he was hired by Blythe & Company, and he cruised that timber and he knew what was there, but I don't think Baker Fentress knew what there was there, and I don't think that ~~Denton~~ ^{Dent} Russell maybe, or the Damp family knew just exactly what was there.

Mr. Ogle: Did he have quite a crew?

Mr. Barton: Yes, he had quite a crew, and he was using airplanes and he had got an bus, and I don't understand it because I don't know enough about cruising, but it was a unique method of sampling. He made a talk at Lions Club on the method that he used. But he said it was accurate and I guess it worked out. At least the ^{Blythe & Co} ~~Blacken Company~~ were willing to risk millions of dollars on his judgment.

Mr. Ogle: Ken is a good cruiser. He is a good technician.

Mr. Barton: He illustrated it saying, one of you take a handfull of marbles and throw them down on the floor, and then draw a checker board, and then you are going to have a certain number of marbles in each square, you see, and you determine your average squares, and then you overaverage, and your underaverage, or a normal square, let's put it that way, or a usual square, and if you determine what is on the usual square, then all usual squares will be somewhat alike, or very close to alike, and then this eliminates a lot of the squares that you have to check. Now have you heard of this consensus before?

Mr. Ogle: Well, not in that way. Of course, in effect, yes.

Mr. Barton: Then he says that leaves you with the unusual ones that require more intense sampling and study, so, it shortens the job up considerably. This was roughly the basis that he was using, and I never understood too much about it. But he brought his cruise in, I guess, I don't know how many, they had them down at the hotel lots, and while he was here he met and married a local woman, a local girl, or met her and then they were subsequently married.

Mr. Ogle: I never did know Ken too well, personally, but I have been in his office and I have known several fellows that worked with him, and I know he has a real good reputation.