

ROBERT S. OSLUND

The following is a transcription of an interview with Mr. Robert Oslund of the Georgia-Pacific Company on July 25, 1966, in his office in the Commonwealth Building in Portland. Mr. Oslund was very active during the 1961 session when the current timber tax laws were passed, and also prior to that time, in 1959, was very active in opposing H. B. 14. He is very qualified to talk on timber taxation and the status of the timber tax laws prior to his employment by the Georgia-Pacific Company, as he was in the employ of the Oregon State Tax Commission and worked, for the most part, on timber taxation.

Mr. Oslund: Charley, relative to the issue of timber taxation as referring to the bills that were debated in the Oregon Legislature for the sessions of 1957, 1959 and 1961, and Georgia-Pacific's position relative to the taxation of timber, we have in our files, I am sure, in our archives, a thorough, complete record containing copies of every written public statement we have made regarding our position on these matters relative to H. B. 209, 14, and the final bill. I will be happy. My secretary is currently on vacation, and my assistant, who also knows where this material is in storage, is out of town and will be for the balance of the week. When they come back I feel confident they can supply you with material that will be far more useful than trying to rely upon my memory at this time.

In essence, our stand on the timber tax issue, I think I can summarize by saying that the one faction of the timber industry, principally those who had a large quantity of old growth, mature timber, wished to obtain an ad valorem type timber tax which would have provided for a value based upon the individual rate of cut for the owner. The value would be highest for those who had, the way we look at it at least, for those who had a supply, the value would be highest per thousand on an average as opposed to those who had a large supply in proportion to their annual cut.

For example of the effects of this type of thing came out in, I believe it was 1958 in the assessment roll of Coos County, whereby the County Assessor had appraised, assessed both, all the timber in the county, and the main owners were the Weyerhaeuser Timber Company and Georgia-Pacific Corporation. It just so happens that we both had about, approximately the same volume of timber, or roughly four billion feet at that time. Georgia-Pacific had in 1956 acquired the holdings of the former Coos Bay Lumber Company, and was in the process of harvesting timber with the objective in mind that the best use of the property was to make greatest advantage of the old growth which had passed its maturity in actuality. It was harvested on a rate at that time in the neighborhood of 12 to 15 years, whereas Weyerhaeuser, from their own statistics, at least, showed a harvest rate in excess of 40 years.

The assessor, following the valuation factors which had been offered by Weyerhaeuser, primarily based upon the report of Julian Rothery, established the assessments for both Weyerhaeuser and ourselves at -- in accordance with the various -- the two different rates of harvest. The result was that Weyerhaeuser's timber was assessed at approximately one-half of ours. So here we had what we considered a vivid example of the results of the assessment that would be practiced under the type of legislation which had been sponsored by one faction of the industry.

Here were two nearly identical stands of timber, or at least reasonably similar. One would be taxed at nearly twice the rate as the other, and we believe that this was wrong in theory, inasmuch as we believe that timber should be taxed in proportion to its value rather than in accordance with the individual use. If one were to follow the Rothery, and I am going to correct myself there also, I don't believe that Rothery necessarily expounded the theory of individual depletion rates, but rather that he pointed out the difference in value that would occur for various blocks of timber based upon its probable rate of harvest, rather than which would be in turn tied to the rate of consumption of wood products, rather than at the rate at which any one individual chose to harvest the timber.

But, going back to theory again, I feel that timber of like kind and species should be taxed at the same, or at least valued at the same rate, regardless of ownership and the primary principle, at least of the timber tax theory contained in the bill to which I referred, was to assess timber in accordance with individual depletion rates. No other type of property, that I can think of at this time, is taxed in that manner, except what might be deemed, except go on an interpretation of a yield tax or a severance tax, might be defined in this manner, and even there, we believe that a severance tax on mature timber is improper. A severance tax is what we feel an acceptable means for taxation, where the -- you start with bare land and proceed onto maturity. This provides the owner with an opportunity to defer his taxes until the timber has reached its optimum harvest. Mature timber has already reached this age, and deferment of, or a lessening of, the tax would merely give the owner an opportunity to hold his timber without paying his just share of property taxes. And if we are to continue to harvest timber throughout the United States, for that matter, at the rate at which the market will consume wood products, it would hold large areas of old growth in isolation, would merely put an additional burden of taxation on the younger stands, which really should be held for maturity, and the taxing and the cut should be heavier on the older stands.

Charley,-- may I give an offhand comment at this time. It has been several years since I have discussed this problem, and hesitate saying more without some reference material for fear that it gives the wrong impression, or not express myself accurately. I would like also an opportunity to review these remarks, because I have the hunch that they will need a considerable clarification before I am satisfied that what I have said is what I mean.

Mr. Ogle: Well, have you or your company ever considered the constitutionality of the system of taxation which differentiates between watershed lines, or county lines, or what have you, in determining the value for taxation purposes?

Mr. Oslund: Yes, we have, and we made definite reference to the possible lack of constitutionality in our first comments in opposition to

these respective measures. Oregon Constitution, as I recall, requires a uniform assessment within the constitutional limits of the taxing jurisdiction, and it was this very thing which we were able to emphasize -- the taxing of the same tree -- different rates by different owners, or within different counties, would create a very definite appearance, at least, of lack of compliance with the Constitution.

Going to the extreme example, one could visualize a school marm-type tree situated right on a section line, one-half belonging to a company cutting at say a five-year rate, and the other half belonging to a company at a 50-year rate. The one tax might be as much as five or six times that of the other. But we feel that this would be an outstanding example of noncompliance with the Constitutional, Oregon's Constitutional, requirement for uniformity in taxation.

Mr. Ogle: Well now, so far, what we have talked about has dealt primarily with the positions of two large companies, and two situations in which old growth timber alone is involved, and old growth timber that is merely held for different periods before harvests. We have many situations in the state where probably someone might acquire timber and hold it for a year or so, or hold it for a time. We have other companies that may have second growth coming on and they are doing more or less thinning, and I am wondering if you have any comments as to how this would affect those types of operations differently than the --

Mr. Oslund: This point came up several times during our discussions at the legislature and the committee meetings of the industry. One interesting aspect of the thing is that taking the various bills as proposed, establishing a depletion rate by dividing the annual harvest into the volume as of the assessment date, could feasibly create a harvest period in ideally managed sustained-yield units of perhaps 20 to 25 years, simply because such a method does not provide for the growth that the owner is anticipating and managing for, so you could have an ideally managed second growth stand that was being operated on a strictly sustained-yield operation which would show a depletion rate. As I recall, on one of our presentations, it could show a depletion rate of only 15 years, or perhaps 20, simply because you were dividing the annual cut of

the mature trees into a total volume of stand, which was made up of trees ranging from zero up to rotation age, and such a method of calculation would allow for the growth. This would in turn, would put a burden of taxation on the young growth stands, simply to reduce the burden on the old growth stands, and this is contrary to the encouragement of the best timber management.

You also have the small operator who just is able to buy a year or two supply at one time, who would, if the taxation theory proposed would work as it had been proposed; namely to encourage the retention of large blocks of mature timber in the hands of the existing owners, would make it difficult for the smaller operator to even obtain timber to cut, and if he did acquire some, the rate of taxation on the tract that he acquired could easily go up two or three, four times the rate that was assigned to the timber in the former large ownership. We felt that this was an equitable thing and did not, and did just the opposite of what the bills professed to do; namely, to encourage good management of Oregon's timber resource.

Mr. Oyle: Do you have any comments to make on the Eastern Oregon's severance tax law and how it has worked out?

Mr. Oslund: The arguments can be made for the use of a severance tax in the pine area of Oregon, primarily because of the selective cut practice in managing pine stands, not because the severance tax is the ideal form of taxation, as far as theory of taxation is concerned, but in order to maintain an adequate, or an up-to-date inventory of selectively managed pine, we require a considerable amount of cruising and updating each year over large areas over which the timber was harvested, and this would be an expensive administrative practice. However, insofar as the severance tax, the application of a severance tax to mature timber, I think it is wrong in principle, and as I said before, it encourages the retention of mature timber rather than -- and places the burden of taxation on those who manage, and -- well, I guess the best thing I can say, going back to the very theory of taxation, that a completely free -- free isn't the word -- but the value placed upon the highest and best use is inclined to encourage the highest and best development of the properties, and any tax which provides the owner with a deferment of his tax

until he wishes to make the best use of his property, is naturally going to encourage use along lines that is most beneficial to the particular owner who may or may not be wishing to managing his --. Yes, I think the point could be, certainly be made in that respect, because the severance tax would make it possible for the owner of existing stands to defer cutting and wouldn't have the burden of taxation on those stands to pay every year, and would make it easier for him to defer the cut of his own lands, and to buy other timber, public timber, to harvest. Whether or not Weyerhaeuser followed this practice, I have no idea, but it is certainly a valid argument.

Mr. Ogle: I noticed somewhere in the correspondence that I went through that Weyerhaeuser had never purchased any government timber outside of the pine area, but there was no testimony as to how much or to what extent they had purchased over the pine area, and I just wondered if you knew of any purchases that might have been made since that law was passed.

Mr. Oslund: I don't know of any, Charley. I have never pursued the subject.