



February 22, 2019

Sen. Christine Rolfes, Chair
Senate Ways & Means Committee

Rep. Gael Tarleton, Chair
House Finance Committee

Sen. John Braun, Ranking Member
Senate Ways & Means Committee

Rep. Ed Orcutt, Ranking Member
House Finance Committee

Dear Chair Rolfes and Tarleton, Ranking Member Braun and Orcutt:

Re: HB 1348 & HB 1324, Helping Washington businesses succeed by modifying the business and occupation tax provisions for forest products manufacturing

The American Forest Resource Council (AFRC) represents more than 30 wood products manufacturing facilities in Washington. These businesses create and sustain good paying jobs in rural communities across Western and Eastern Washington such as Colville, Morton, Darrington, and Port Angeles. According to Washington's Department of Commerce, the overall direct, indirect, and induced jobs created by the state's Forest Products Sector in 2017 was 101,000 workers, earning \$5.5 billion in wages. AFRC is proud to help represent this critically important and vibrant industry.

The lower B&O tax rate for wood products was enacted at a time when many mills in Washington state were at risk of curtailments or closure. The lower tax rate has given our members confidence in investing in new plants and equipment, and growing jobs, since it was enacted more than a decade ago. Indeed, our members have invested more than a billion dollars in new plants and equipment to modernize and add new capacity in the past two decades.

More importantly, extending the 2024 sunset at this time will remove uncertainty over the B&O tax rate as our members consider new investments in milling infrastructure, equipment, and, more importantly, employees across the state. Investment decisions for capital upgrades and new facilities are typically made on a 20 to 30-year planning horizon. Extending the current B&O rate for forest products companies will align with that planning horizon.

AFRC is grateful for the efforts of Representative Mike Chapman to extend the sunset date during the 2019 Legislative session. We support Rep. Chapman's proposal embodied in HB 1348 and HB 1324 to extend the sunset date to 2056, which coincides with the permit term of the Forests and Fish Habitat Conservation Plan – one of the largest and most comprehensive conservation agreements in the United States. Additionally, extending the sunset date will

provide further certainty on the B&O tax rate during most of the remaining permit period for the State Lands Habitat Conservation Plan which covers trust lands managed by the Department of Natural Resources. The State Lands HCP continues to 2067.

Thank you for your consideration on this matter and continued work to maintain a vibrant forest product milling infrastructure in this state that is critical to supporting rural communities, addressing forest health issues, and manufacturing affordable, renewable, and carbon-friendly wood products every Washingtonian uses every day.

Sincerely,

A handwritten signature in black ink, appearing to read "Travis Joseph". The signature is written in a cursive, flowing style.

Travis Joseph
President

cc: Speaker Frank Chopp
House Minority Leader J.T. Wilcox
Senate Majority Leader Andy Billig
Senate Minority Leader Mark Schoesler
Sen. Kevin Van De Wege
Sen. Judy Warnick
Sen. Dean Takko
Sen. Shelly Short
Rep. Joel Kretz
Rep. Drew Stokesbury
Rep. Timm Ormsby
Rep. Mike Chapman
Rep. Steve Tharinger
Rep. Larry Springer