

# Taxes and Assessments on Oregon Forestland and Timber

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Oregon has several forest tax and assessment programs. All forestland owners pay an annual property tax. Some owners may owe a severance tax on cut timber, depending on how their forestland is classified for tax purposes. All harvesters of Oregon timber pay a Forest Products Harvest Tax (FPHT) on harvested timber.

Property in Oregon is valued and taxed based upon the real market value (RMV)—the price for which land would sell on the open market. However, state legislators have recognized that urban areas are encroaching on lands capable of growing timber, thus increasing the lands’ value and tax liability—and making it more expensive to hold them while timber is growing. As a result, the Oregon Legislature established several special-assessment programs to reduce taxes for forestland owners who agree to manage their property primarily to grow and harvest timber.

In this publication we discuss those forest taxes and assessment programs that are owed to or collected by the county via a property tax statement and those paid to the Oregon Department of Revenue (DOR) following a timber harvest. Income and estate taxes for state and federal returns are not discussed here; see “For more information,” page 23, for resources on these topics.

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Before describing the current programs, we offer a brief history to trace the economic and political realities affecting the state's attempts to retain productive forestland in private ownership while allowing equitable taxation between forestland and other land classes and uses.

This story starts during the Depression, when many forestlands were foreclosed because of delinquent taxes. Owners often found it better financially to abandon their land. Thus, a program called the Forest Fee and Yield Tax was initiated. This law, commonly referred to as the Reforestation Act, set a minimal tax on land (10¢ per acre in western Oregon, 5¢ per acre in eastern Oregon) and established a yield tax, due at harvest, on cut timber. This allowed private owners to retain forestland and pay higher taxes in years when they generated income by harvesting timber.

Forest tax laws created in 1961 further distinguished between forestland east and west of the Cascades. West of the Cascades, forestland not taxed under the Forest Fee and Yield Tax or the Western Oregon Small Tract Optional Tax (WOSTOT) was placed under the Western Oregon Ad Valorem Tax. The land was taxed at true cash value (determined by the Oregon Tax Commission) with an annual tax on standing timber. The value of timber and land in each county was appraised yearly and reported on the tax rolls. In eastern Oregon, the Eastern Oregon Severance Tax was in effect by 1962. County assessors determined the land value. Timber was exempt from property taxes; instead, a severance tax was due when timber was cut.

Continuously updating western Oregon timber inventories was expensive. In 1977, new laws replaced the Western Oregon Ad Valorem Tax. This put most Oregon forestland under a land and severance tax system that based the annual property tax on 100 percent of the specially assessed value, with a severance tax due after harvest on the value of the timber. Forest Fee and Yield lands were to phase into the new system over a 20-year period.

Spurred by tax limitations in property-tax Measures 5 and 50, by the mid to late 1990s forest taxation had changed significantly.

The legislature agreed that sustaining forests and forestland required meaningful investments in reforestation and management. And, like farmland, for property tax purposes only the land value should be taxed annually—not the value of the crop (timber). To provide forestland owners with tax relief, a formula based the annual property tax on 20 percent of the specially assessed value for forestland use. The other 80 percent of its specially assessed value would be collected by a “privilege tax” on the value of timber harvested.

During the 2001 and 2003 legislative sessions, woodland owners and agencies met to streamline the forest tax system. The WOSTOT and the forestland and privilege tax systems were eliminated. Beginning in 2004, all forestland was transferred into the Forestland Program. Forest owners with 5,000 acres and more are required to remain in the Forestland Program, where property tax is based on 100 percent of assessed forestland value.

Owners with fewer than 5,000 acres have an option to enroll in the Small Tract Forestland (STF) Option where property tax is based on 20 percent of assessed forestland value, with an STF severance tax due following timber harvest. The Forestland Program and the STF Option are the two main forestland special assessment programs in Oregon today. They are described in detail in the next section.

The final tax that all Oregon timber harvesters pay—which has changed little over the years—is the Forest Products Harvest Tax (FPHT). Based on the timber volume harvested, the FPHT supports key programs that protect and promote forestry in Oregon. The FPHT is described in detail in a later section.

Each year additional, but usually minor, changes are made in the tax rates. Two websites will help you stay current on changes:

- Oregon Department of Revenue  
[www.oregon.gov/DOR/TIMBER/index.shtml](http://www.oregon.gov/DOR/TIMBER/index.shtml)
- Oregon Department of Forestry  
[http://egov.oregon.gov/ODF/PRIVATE\\_FORESTS/taxes.shtml](http://egov.oregon.gov/ODF/PRIVATE_FORESTS/taxes.shtml)

**Table 1.—Forest tax provisions, kinds of taxes, and common abbreviations.**

Kind of tax	Tax provisions	
	Forestland Program (Forestland)	Small Tract Forestland (STF) Option
<b>Property tax</b>		
Paid to	County assessor	County assessor
Frequency	Annually (fall)	Annually (fall)
Basis	100% of assessed forestland value	20% of assessed forestland value
<b>STF Severance Tax</b>		
Paid to	Does not apply	Oregon Department of Revenue
Frequency		Triggered by timber harvest
Basis		Set by Oregon Department of Revenue
<b>Forest Products Harvest Tax (FPHT or Harvest Tax)</b>		
Paid to	Oregon Department of Revenue	
Frequency	Triggered by timber harvest	
Basis	Set by Oregon legislature	

## Oregon special assessment programs for forestland and timber taxes

The following discussion is organized around today’s two principal tax provisions—the **Forestland Program** and the **STF Option**—and three kinds of forest taxes—the **property tax**, the **STF severance tax**, and the **FPHT** (see Table 1).

### **Forestland Program (ORS 321.257–321.390 and 321.805–321.855)**

Under this program, there are two types of forestland: “highest and best use” and “designated forestland.” Counties have identified lands whose best, most economical use is to grow timber and other forest products. These lands are called “highest and best use” forestlands. Owners of forestland that is not considered highest and best use may apply for “designated forestland” status. If you own either of these types of land, you may receive a *property tax* reduction if you agree to grow and harvest timber. *Timber* growing on these lands has been taxed differently over time. Currently, timber itself is not taxed through the property tax system.

### **How to apply for the Forestland Program**

Apply to the assessor of the county where your forestland is located. For your property to be included in the Forestland Program for the “current” year, you must file your application with the assessor by April 1. Once your property is in the program, you do not need to reapply.

**Ownership size** Your tax lot must contain at least 2 acres of forestland to qualify for the Forestland Program.

**Forestland criteria** The land must contain enough trees to meet the Oregon Forest Practices Act stocking and species standards. If all your land does not meet these standards, you may qualify if:

- At least 20 percent (minimum 2 acres) meets the standards by December 31 of the first assessment year; and
- There is a written stocking plan to plant enough trees to meet the standards within 5 years.

Lands not adequately stocked within 5 years will be disqualified.

**Annual property tax (see Example 1)**

Land under the Forestland Program is taxed at a special rate based on the typical price paid for land managed to produce harvestable timber. Property tax is based on 100 percent of the assessed value for forestland use. This value often is less than the RMV basis used to tax other kinds of property. Property values under the Forestland Program vary depending on the property’s location and its ability to grow timber:

- Eastern Oregon land is taxed an average amount of 64¢ per acre (2006 forestland values)
- Western Oregon land is taxed an average amount of \$3.61 per acre (2006 forestland values)

**Forest Products Harvest Tax** Due following harvest. The first 25,000 board feet (25 MBF) harvested are exempt from tax. See “Forest Products Harvest Tax,” page 10, for details.

**Disqualification or removal** The county assessor may disqualify lands that no longer meet Forestland Program standards. Owners of disqualified lands must pay an additional tax, calculated as the difference between the tax paid for the previous 5 years and the tax that would have been paid for the same period had the land been taxed at RMV (see Example 2).

**Example 1. Calculating property tax under the Forestland Program.**

In our examples throughout this publication, we use Carolyn and Joe as hypothetical landowners. We start here with a description of their property and land classification. Throughout the examples, we always analyze the situation from both west- and eastside perspectives.

Carolyn and Joe own an 80-acre forestland property. For tax purposes, the entire property is classified as Forestland Class FC. The tax rate on their property is \$12.65 per \$1,000 of assessed value. Assume that the DOR “specially assessed values of Oregon forestland” tables say the current Class FC forestland assessed value is \$317.20 per acre (western Oregon) or \$54.10 (eastern Oregon). The annual property tax under the Forestland Program is calculated as follows.

**Step 1. Calculate the property’s taxable value.**

	Western Oregon	Eastern Oregon
Number of acres	80	80
Assessed value per acre	\$317.20	\$54.10
Taxable value <sup>1</sup>	\$25,376.00	\$4,328.00

**Step 2. Calculate the tax.**

Tax rate <sup>2</sup>	\$12.65	\$12.65
Taxable value per \$1,000 <sup>3</sup>	25.376	4.328
<b>Tax<sup>4</sup></b>	<b>\$321.01<sup>5</sup></b>	<b>\$54.75<sup>5</sup></b>

<sup>1</sup> Taxable value = number of acres x assessed value per acre.

<sup>2</sup> Tax rate (dollars of tax per thousand dollars of taxable value) is set by the local taxing district.

<sup>3</sup> Taxable value per \$1,000 = taxable value (\$) ÷ \$1,000.

<sup>4</sup> Tax = tax rate x taxable value per \$1,000.

<sup>5</sup> Values have been rounded to the nearest penny.

**Changing special-assessment programs**  
 You may change between special assessments without paying additional taxes. This means that you may put your property into a farm special assessment, the Wildlife Habitat Conservation Program, or the

STF Option if your land qualifies for these programs.

**Where the tax money goes** Property tax receipts are distributed to local taxing districts such as school, county, city, fire, hospital, and water districts.

**Example 2. Additional tax assessment example.**

Now, let's assume that Carolyn and Joe's 80-acre tract has been removed from the Forestland Program and returned to an RMV assessment. We'll assume that their property RMV is \$190,000 (western Oregon) or \$32,000 (eastern Oregon). The tax rate on their property is \$12.65 per \$1,000 of assessed value. *Under RMV*, the total annual tax per acre on their forested property is \$30.04/acre (western Oregon) or \$5.06/acre (eastern Oregon), while in the *Forestland Program* their annual property tax per acre was \$4.01/acre (western Oregon) and \$0.68/acre (eastern Oregon). Note: these values are examples only and will vary by area and year.

**Step 1. Calculate tax on 80 acres at RMV.**

	Western Oregon	Eastern Oregon
Total RMV annual tax <sup>1</sup> per acre <sup>2</sup>	\$30.04375	\$5.06000
Number of acres	80	80
RMV total annual tax	\$2,403.50	\$404.80
5 years of tax <sup>3</sup>	\$12,017.50	\$2,024.00

**Step 2. Calculate tax on 80 acres at Forestland Program value.**

Forestland annual tax per acre	\$4.012625 <sup>4</sup>	\$0.684375 <sup>4</sup>
Number of acres	80	80
Forestland total annual tax	\$321.01 <sup>5</sup>	\$54.75 <sup>5</sup>
5 years of tax <sup>3</sup>	\$1,605.05	\$273.75

**Step 3. Calculate additional tax liability.<sup>6</sup>**

5 years of tax at RMV	\$12,017.50	\$2,024.00
5 years of tax at Forestland	\$1,605.05	\$273.75
<b>Additional tax liability</b>	<b>\$10,412.45</b>	<b>\$1,750.25</b>

<sup>1</sup> Total RMV annual tax = (real market value ÷ \$1,000) × tax rate [western Oregon: (\$190,000 ÷ \$1,000) × \$12.65 = \$2,403.50; eastern Oregon: (\$32,000 ÷ \$1,000) × \$12.65 = \$404.80].

<sup>2</sup> Total RMV annual tax per acre = Total RMV annual tax ÷ number of acres [western Oregon: \$2,403.50 ÷ 80 = \$30.04375; eastern Oregon: \$404.80 ÷ 80 = \$5.06000].

<sup>3</sup> In actual application, tax rates and forestland values can vary each year, making the tax calculation more complicated than shown here. This example assumes that the tax rates and forestland values are constant. When making these calculations, the assessor will use actual rates and values for your property.

<sup>4</sup> Forestland annual tax per acre = Forestland total annual tax ÷ number of acres (western Oregon: \$321.01 ÷ 80 = \$4.012625; eastern Oregon: \$54.75 ÷ 80 = \$0.684375).

<sup>5</sup> Values calculated in Example 1 and rounded to the nearest penny.

<sup>6</sup> Additional tax liability = *Difference* between 5 years of tax at RMV and 5 years of tax at Forestland value.

### **Small Tract Forestland Option (ORS 321.700–321.722)**

The 2003 Legislature established the STF Option as another reduced-tax special assessment. The STF Option accommodates the varying needs of family and private forest owners. It allows landowners to delay paying part of their annual property taxes until after the timber is harvested.

**How the STF Option works** Like the Forestland Program, the STF Option applies to land classified by the county as either “highest and best use” forestland or “designated forestland.” A landowner pays annual property tax on 20 percent of the forestland’s special assessment value. In addition, the STF severance tax is due when timber is harvested.

**How to apply for the STF Option** Apply to the tax assessor in the county where the land is located. If the land was not previously classified as forestland, you must

submit two applications: the Designated Forestland application, and the STF Option application (online at <http://egov.oregon.gov/DOR/TIMBER/docs/390-001.pdf>). For your property to be included in the STF Option for the “current” year, you must file your application with the assessor by April 1.

Once qualified for the STF Option, the landowner may not remove the property from STF until it is sold or transferred to a new owner or disqualified and removed for technical reasons by the county assessor.

**Ownership size** You must own at least 10 but fewer than 5,000 acres of forestland to qualify for the Option. You may choose to put property into STF on a tax-lot basis; however, you must include all forestland you own that is a *contiguous* parcel to this tax lot. In this context “contiguous” means: first, land that you own as an individual and/or as any other entity in which you have a majority interest; and second, land

whose boundaries overlap by more than just touching at one corner. All *contiguous* properties must be placed in the same tax provision—either all in the Forestland Program or all in the STF Option.

**Forestland criteria** Same as for the Forestland Program; see page 3. Lands not adequately stocked within 5 years will be disqualified.

**Annual property tax (see Example 3)** Land under the STF Option is taxed at 20 percent of the forestland special assessment value, which is based on the typical price paid for land

#### **Example 3. Calculating property tax under the STF Option.**

If Carolyn and Joe applied for and had their property accepted into the STF Option, their annual property tax would be calculated as shown below. Remember that under the Forestland Program (Example 1), their entire 80 acres was classified as Forestland Class FC with a tax rate of \$12.65 per \$1,000 of assessed value. We must use the DOR forestland value tables to determine the assessed value for Class FC land under the STF Option.

##### **Step 1. Calculate the property’s taxable value.**

	Western Oregon	Eastern Oregon
Number of acres	80	80
Assessed value per acre	\$62.83	\$10.30
Taxable value <sup>1</sup>	\$5,026.40	\$824.00

##### **Step 2. Calculate the tax.**

Tax rate <sup>2</sup>	\$12.65	\$12.65
Taxable value per \$1,000 <sup>3</sup>	5.0264	0.824
<b>Tax<sup>4</sup></b>	<b>\$63.58<sup>5</sup></b>	<b>\$10.42<sup>5</sup></b>

<sup>1</sup> Taxable value = number of acres x assessed value per acre.

<sup>2</sup> Tax rate (dollars per thousand dollars of taxable value) is set by the local taxing district.

<sup>3</sup> Taxable value per \$1,000 = taxable value (\$) ÷ \$1,000.

<sup>4</sup> Tax = tax rate x taxable value per \$1,000.

<sup>5</sup> Values rounded to the nearest penny.

managed for the production of harvestable timber. Property taxes under this program range from 8¢ to \$1.42 per acre, depending on the property's ability to grow timber.

- Eastern Oregon land is taxed an average amount of 12¢ per acre (2006 STF land values)
- Western Oregon land is taxed an average amount of 72¢ per acre (2006 STF land values)

**STF Severance Tax** Due following harvest. Because, under STF, property tax is based on only 20 percent of the assessed value for forestland use, the remaining 80 percent of the property tax is recovered through the STF severance tax. Discussion of the STF severance tax begins on page 9.

**Forest Products Harvest Tax** Due following harvest. The first 25,000 board feet (25 MBF) harvested are exempt from tax. See "Forest Products Harvest Tax," page 10, for details.

**Disqualification or removal** The county assessor may disqualify lands that no longer meet STF standards. Owners of disqualified lands must pay an additional tax, shown in the three-step calculation below (see Example 4, page 8).

Step 1. The difference between tax paid under the STF Option and tax that would have been paid under the Forestland Program for the number of years the property has been in the STF Option, up to a maximum of 10 years.

Step 2. The difference between the tax that would have been paid under the Forestland Program for the previous 5 years and tax that would have been paid for the same 5-year period had the land been taxed at RMV.

Step 3. Add the differences from Steps 1 and 2 to get the total additional tax owed.

Once land is disqualified from the STF Option, it cannot qualify again for 5 years.

The county assessor monitors property sales and transfers. Within 15 months of a transaction, the county is required to identify those properties in the STF Option that have been sold or transferred. The assessor notifies the new owner(s) of the potential to disqualify the land from this special assessment. Owners wishing to remain in the STF Option may do so by informing the county in writing within 30 days of the date of the county letter. Properties not remaining in the STF Option will be moved to the Forestland Program. This move will increase the amount of annual property tax and trigger the disqualification and assessment of the additional tax described above in Step 1.

Landowners wishing to speed up this process and ensure that their property is taxed under their choice of special assessment may go directly to the county and notify the assessor of the property sale or transfer and ask in writing to be kept either in the STF Option or moved to the Forestland Program. Being proactive can save money and reduce the potential for miscommunication.

**Changing special-assessment programs** Properties must remain under the STF Option until ownership is transferred or the property no longer is being used as forestland. Changes between the STF Option and the special assessments available for land managed as farmland or the Wildlife Habitat Conservation and Management Program are considered changes of use. You may put your properties in these special assessments with the payment of Step 1 of the additional tax calculation found under "Disqualification or removal," above.

**Where the tax money goes** Property tax receipts are distributed to local taxing districts such as school, fire, hospital, and water districts.

**Example 4. Additional tax assessment example.**

Carolyn and Joe’s property was removed from the STF Option and returned to an RMV assessment. Let’s calculate the additional tax owed. In STF, their annual property tax was \$0.79/acre (western Oregon) or \$0.13/acre (eastern Oregon). With an RMV assessment, the tax is \$30.04/acre (western Oregon) or \$5.06/acre (eastern Oregon) as in Example 2 (page 5). Also from Example 2, their Forestland Program annual property tax was calculated at \$4.01/acre (western Oregon) or \$0.68/acre (eastern Oregon). Note: Values are rounded to the nearest penny. They are examples only and will vary by area and year. Carolyn and Joe’s additional tax owed is calculated in three steps: First, as the property is transferred from STF to the Forestland Program (for the number of years it was in STF, up to a maximum of 10 years); second, as it is then transferred to RMV (for the number of years it was specially assessed as STF or Forestland, up to a maximum of 5 years); and third, calculating the total additional tax owed by adding the additional tax amounts from Steps 1 and 2.

**Step 1. Calculate additional tax upon transfer from STF to Forestland.**

(A) Tax on 80 acres at Forestland value <sup>1</sup>	Western Oregon	Eastern Oregon
Annual tax per acre	\$4.012625	\$0.684375
Number of acres	80	80
Annual tax	\$321.01	\$54.75
10 years of tax	\$3,210.10	\$547.50
(B) Tax on 80 acres at STF Option value <sup>2</sup>		
Annual tax per acre	\$0.79475 <sup>3</sup>	\$0.13025 <sup>3</sup>
Number of acres	80	80
Annual tax	\$63.58	\$10.42
10 years of tax	\$635.80	\$104.20
<b>DIFFERENCE 1</b>	<b>\$2,574.30<sup>4</sup></b>	<b>\$443.30<sup>4</sup></b>

**Step 2. Calculate additional tax upon transfer from Forestland to RMV.**

(A) Tax on 80 acres at RMV <sup>5</sup>		
Annual tax per acre	\$30.04375	\$5.06000
Number of acres	80	80
Annual tax	\$2,403.50	\$404.80
5 years of tax	\$12,017.50	\$2,024.00
(B) Tax on 80 acres at Forestland value <sup>1</sup>		
Annual tax per acre	\$4.012625	\$0.684375
Number of acres	80	80
Annual tax	\$321.01	\$54.75
5 years of tax	\$1,605.05	\$273.75
<b>DIFFERENCE 2</b>	<b>\$10,412.45<sup>6</sup></b>	<b>\$1,750.25<sup>6</sup></b>

**Step 3. Calculate total additional tax liability. (Total additional tax liability = DIFFERENCE 1 + DIFFERENCE 2.)**

DIFFERENCE 1	\$2,574.30	\$443.30
DIFFERENCE 2	\$10,412.45	\$1,750.25
<b>Total additional tax owed</b>	<b>\$12,986.75</b>	<b>\$2,193.55</b>

<sup>1</sup> Original calculations shown in Examples 1 and 2 (pages 4 and 5, respectively).

<sup>2</sup> Original calculations shown in Example 3 (page 6).

<sup>3</sup> Western Oregon:  $\$63.58 \div 80 = \$0.79475$ ; eastern Oregon:  $\$10.42 \div 80 = \$0.13025$ .

<sup>4</sup> Western Oregon:  $\$3,210.10 - \$635.80 = \$2,574.30$ ; eastern Oregon:  $\$547.50 - \$104.20 = \$443.30$ .

<sup>5</sup> Original calculations shown in Example 2 (page 5).

<sup>6</sup> Western Oregon:  $\$12,017.50 - \$1,605.05 = \$10,412.45$ ; eastern Oregon:  $\$2,024.00 - \$273.75 = \$1,750.25$ .



**Small Tract Forestland (STF) Severance Tax (ORS 321.726–321.754)**

**Tax applicability** The STF severance tax applies to timber harvested from lands classified under the STF Option. Since landowners’ annual property tax is based on only 20 percent of the forestland specially assessed value, the severance tax recovers the remaining 80 percent when timber is harvested.

**Tax rates** Tax rates are set to recover delayed property tax projected over a typical rotation length for forestland of average productivity:

- Eastern Oregon—\$3.21 per MBF (2006 rate)

- Western Oregon—\$4.11 per MBF (2006 rate)

Rates are adjusted annually at the rate that the forestland’s specially assessed value has increased or decreased from year to year. The maximum value increase is limited to 3 percent annually. The rate change for specially assessed forestland is set each June 1 (see Example 5).

**What is taxed** Generally, logs or chips removed from land under the STF Option are taxed. Log loads sold by the ton are taxed unless the log count includes more than 90 percent small, utility-grade logs less than 5 inches in diameter. Loads of chips are taxable unless they are made from

**Example 5. Calculating the STF Severance Tax.**

Let’s calculate Carolyn and Joe’s STF severance tax liability following the projected harvest from their 80-acre property.

**Scenario A - Harvest volume measured in MBF (thousands of board feet).**

Assume that all harvested timber was measured in MBF, thus avoiding the need to convert from tons to MBF. Their STF severance tax is calculated as follows.

	Western Oregon	Eastern Oregon
Timber volume harvested (MBF)	75	75
STF severance tax rate <sup>1</sup>	\$4.11	\$3.21
<b>STF severance tax owed<sup>2</sup></b>	<b>\$308.25</b>	<b>\$240.75</b>

**Scenario B - Harvest volume measured in tons.** The STF severance tax calculation is based on MBF. However, sometimes wood is sold on a tonnage rather than an MBF basis. Then, tonnage must be converted to MBF before the STF severance tax is calculated. The conversion uses DOR-supplied conversion factors. For example, assume that Carolyn and Joe harvested 1,200 tons of smaller timber (all less than 8 inches in diameter). Their STF severance tax is calculated as follows.

	Western Oregon	Eastern Oregon
Timber volume harvested (tons)	1,200	1,200
Timber volume harvested (MBF)	109 <sup>3</sup>	109 <sup>3</sup>
STF severance tax rate <sup>1</sup>	\$4.11	\$3.21
<b>STF severance tax owed<sup>2</sup></b>	<b>\$447.99</b>	<b>\$349.89</b>

<sup>1</sup> Tax rate (dollars per MBF) is set by the Oregon Legislature and adjusted annually by percent change in STF Option land values from one year to the next. 2006 tax rates are used here.

<sup>2</sup> STF severance tax = harvest volume (MBF) x tax rate.

<sup>3</sup> MBF = tons harvested ÷ MBF-per-ton conversion factor; timber all less than 8 inches in diameter = 11 MBF per ton; 1,200 tons ÷ 11 MBF per ton = 109 MBF.

logs that would have been utility grade or lower *and* the chips are to be used as “hog fuel.” Logs scaled as utility grade or lower are exempt from this tax.

The DOR developed the following rates to convert log load weight (tons) to MBF:

- Loads of small logs, less than 8 inches in diameter, are converted at a rate of 11 tons/MBF
- Loads of logs with more than two logs greater than 8 inches in diameter are converted at a rate of 7.5 tons/MBF

**Tax forms** Blank timber tax forms are not available. The DOR mails you a pre-printed STF severance tax form in December of the year of harvest or January of the following year. The data in the return come from the Notification of Operations Permit (see “Additional Practical Considerations—Before harvest,” page 16) that you must file with the ODF before harvest. The law requires you to send back completed returns to DOR even if no tax is due.

**Due date** STF severance tax is due January 31 of the year after harvest. Late returns are assessed interest and a penalty: a 5-percent penalty for returns filed between February 1 and April 30, and a 25-percent penalty after April 30.

**Where the tax money goes** Tax receipts are distributed annually to the State School Fund (60.5 percent) and Community College Support Fund (4.5 percent) and to counties (35 percent).

### ***Forest Products Harvest Tax (ORS 321.005–321.152)***

**Tax applicability** This is the one Oregon forest tax paid by every timber harvester throughout the state—irrespective of land classification, east or west side, public or private, city lot owner or forest-land owner. The owner of the timber at the

time of harvest is the person responsible for filing the FPHT return. This may be the purchaser of stumpage or the owner of the forest property (see Table 2, page 16). The DOR will send the FPHT return to the party listed as the timber owner on the Notification of Operations/Application for Permit form.

**Tax rates** Although the FPHT rate is reviewed during each legislative session, it may change annually based on needs of programs the tax supports. The same tax rate applies statewide. For 2006, the rate was \$2.61 per MBF.

**What is taxed** The FPHT is a volume-based tax on material that would grade “utility cull and better,” including logs chipped in the woods. The first 25 MBF harvested is exempt from the tax (see Example 6).\*

**Tax forms** The DOR mails preprinted FPHT forms in December of the harvest year. Despite the first 25 MBF exemption, all timber harvesters must file a return even if no tax is due.

**Due date** When owed, the FPHT is due to the DOR by January 31 of the year after harvest. Late returns are assessed interest and a penalty: a 5-percent penalty for returns filed between February 1 and April 30, a 25-percent penalty after April 30.

**Where the tax money goes** Monies from this tax are used to fund a variety of services, including the OSU Forest Research Laboratory, the Oregon Forest Resources Institute, emergency fire protection, and administration of the Oregon Forest Practices Act.

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\*The volume of exempt timber may be changed by legislation. Refer to the DOR and ODF websites listed earlier, page 2.

### **Example 6. Calculating Forest Products Harvest Tax (FPHT).**

Let's now calculate Carolyn and Joe's FPHT liability. The FPHT rate for 2006 was \$2.61/MBF. Their FPHT is calculated as follows.

**Scenario A - Harvest volume measured in MBF.** Assume that all Carolyn and Joe's timber was measured in MBF, thus avoiding the need to convert from tons to MBF.

#### **Step 1. Calculate the maximum FPHT liability.**

	Western Oregon	Eastern Oregon
Timber volume harvested (MBF)	75	75
FPHT rate per MBF	\$2.61	\$2.61
Maximum FPHT liability <sup>1</sup>	\$195.75	\$195.75

#### **Step 2. Calculate the value of timber exempt from the FPHT.**

Timber volume exempt (MBF) <sup>2</sup>	25	25
FPHT rate per MBF	\$2.61	\$2.61
Exempted amount <sup>3</sup>	\$65.25	\$65.25

#### **Step 3. Calculate final FPHT owed.**

Maximum FPHT liability	\$195.75	\$195.75
Exempted amount	\$65.25	\$65.25
<b>Final FPHT owed<sup>4</sup></b>	<b>\$130.50</b>	<b>\$130.50</b>

**Scenario B - Harvest volume measured in tons.** As in Example 5, Scenario B, assume that Carolyn and Joe harvested 1,200 tons of timber that all was less than 8 inches in diameter. Before making the FPHT calculation, the volume in tons must be converted to MBF using DOR-supplied tables.

	Western Oregon	Eastern Oregon
Timber volume harvested (tons)	1,200	1,200
Timber volume harvested (MBF)	109 <sup>5</sup>	109 <sup>5</sup>
FPHT rate per MBF	\$2.61	\$2.61
Maximum FPHT liability <sup>1</sup>	\$284.49	\$284.49
Exempted amount <sup>3</sup>	\$65.25	\$65.25
<b>Final FPHT owed<sup>4</sup></b>	<b>\$219.24</b>	<b>\$219.24</b>

<sup>1</sup> Maximum FPHT liability = harvest volume x tax rate.

<sup>2</sup> Timber volume exempt from the FPHT is set by the Oregon Legislature. The exemption volume in 2006 was the first 25 MBF harvested.

<sup>3</sup> Exempted amount = exempted volume x FPHT rate.

<sup>4</sup> Final FPHT owed = maximum FPHT liability – exempted amount.

<sup>5</sup> Conversion made as in Example 5 (page 9).

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## Deciding between the Forestland Program and the STF Option

Having read the details of the Forestland Program and the STF Option, you probably are asking, “How do I decide which is my better choice?” The answer involves a combination of factors that all are related to the passage of time. We need to start with a simple example showing the decision process and related calculations (see Example 7).

As we see in Example 7, because the STF Option includes a severance tax on harvested timber, it is essential that we contrast the *total tax liability* under both provisions (property tax under the Forestland Program

versus property tax *and* STF severance tax under the STF Option).

This straightforward example shows the thought process and related calculations necessary for Carolyn and Joe to decide between the Forestland Program and the STF Option. With this limited look, it’s a “no-brainer”—Forestland is the better choice both east and west side. Looking closely at the total tax liability (Step 1 in Example 7), we see quickly that the STF severance tax is “driving” the decision. Forestland yields the lower total tax liability because it results in no severance tax liability.



Figure 1. How much you plan to harvest—and when—figure prominently in deciding whether the Forestland Program or the STF Option will be better for your situation.

### **Example 7. Comparing the Forestland Program and the STF Option.**

Let's examine which is better for Carolyn and Joe, the Forestland Program or the STF Option. Remember, their entire 80-acre forestland property is classified as Forestland Class FC with a tax rate of \$12.65 per \$1,000 of assessed value. This example assumes that all timber harvested was measured in MBF and that all of it (75 MBF) was harvested in a single timber sale conducted in 1 year.

#### **Step 1. Summarize the total tax liability: Forestland vs. STF.**

We must compare like quantities (i.e., "apples to apples"). This means comparing the same complete set of taxes owed under the Forestland Program and the STF Option. So, first, we must calculate all taxes pertinent to both.

	Forestland Program		STF Option	
	Western Oregon	Eastern Oregon	Western Oregon	Eastern Oregon
Property tax	\$321.01 <sup>1</sup>	\$54.75 <sup>1</sup>	\$63.58 <sup>2</sup>	\$10.42 <sup>2</sup>
STF severance tax	N/A <sup>3</sup>	N/A <sup>3</sup>	\$308.25 <sup>4</sup>	\$240.75 <sup>4</sup>
<b>Total tax liability</b>	<b>\$321.01</b>	<b>\$54.75</b>	<b>\$371.83</b>	<b>\$251.17</b>

**Step 2. Compare results and make the decision.** They now have everything needed for the comparison and decision. The decision table, below, makes it clear that in both western and eastern Oregon the Forestland Program brings the lower total tax liability and so is the better choice.

	Total tax liability	
	Western Oregon	Eastern Oregon
Forestland Program	<b>\$321.01</b>	<b>\$54.75</b>
STF Option	\$371.83	\$251.17

<sup>1</sup> See Example 1 (page 4) for the Forestland Program property tax calculations.

<sup>2</sup> See Example 3 (page 6) for the STF Option property tax calculations.

<sup>3</sup> No STF severance tax is paid under the Forestland Program.

<sup>4</sup> See Example 5, Scenario A (page 9) for the STF Option severance tax calculations.

Remembering that the aim of Example 7 is to illustrate the calculation and process of deciding between the Forestland Program and the STF Option, we should now ask some additional questions and analyze the impacts.

Reconsidering Example 7 reveals that by harvesting immediately we've considered only 1 year—the year of harvest. It does not answer the question “Might the choice be different if we examine a longer time period—say 10, 20, or 30 years—and possibly remove larger volumes with additional harvests?” Answering these questions requires examining the effect of time on both property and STF severance taxes and the possible effect of additional harvests and/or larger volumes removed.

Total property tax liability obviously will increase over longer time periods because there are more years to pay property tax.

The effect of time on property values is also important. In the examples presented so far, we've held property values constant because the calculations to increase those values each year are cumbersome and get in the way of understanding the basic tax calculation process. According to current law, annual property tax and STF severance tax rates each may increase at a maximum of 3 percent per year. Of course, these annual rate increases also contribute to raising the total tax liability over longer periods.

If you would like a tool that incorporates this maximum 3-percent increase into the calculations, see the Landowner Model spreadsheet at [http://www.oregon.gov/DOR/TIMBER/docs/landowner\\_model.xls](http://www.oregon.gov/DOR/TIMBER/docs/landowner_model.xls)

In addition to greater STF severance tax liability due to rate increases with longer time periods, larger STF severance tax liabilities result as more volume is harvested. Since the final decision between the Forestland Program and STF Option must be

based on the *total* tax liability, any additional STF severance tax becomes a critical component of the decision. Clearly, we must know what the future harvesting plans are (or might be) and then evaluate based on more than just 1 year.

It is clear that we oversimplified Example 7 to illustrate how the tax calculations are made. To show the impact of time and increased volume removal on the tax decisions in a new context, let's look at Example 8. Rather than illustrating how to do the calculations, we've used the Landowner Model spreadsheet to do the math, and we just reported the answers.

Example 8 clearly illustrates the wisdom of looking ahead and considering: first, future harvests, whose volumes affect the resulting severance taxes; and second, how both property tax and STF severance tax rates increase over time. Here, future STF severance tax rates combined with the large harvest volume to produce an eastern Oregon STF severance tax liability large enough to make the Forestland Program the better choice. While the same factors also created an even larger STF severance tax liability in western Oregon, the increasing property tax rates led to a 30-year total property tax liability vastly exceeding the total tax liability under the STF Option, thus making STF the best choice in western Oregon. In anything but the simplest of situations (“We will never harvest” or “We'll harvest next year and then never again”), bringing the future into the decision is essential. And, this is best done with a calculation process that reflects annual tax-rate increases.

Remember that we must compare like quantities (i.e., “apples to apples”). This means comparing the same set of taxes owed under both the Forestland Program and the STF Option.

### Example 8. Comparing Forestland Program and STF Option at 30 years.

Here, we'll preserve the basic Carolyn and Joe context but lengthen the time period to 30 years and increase their harvest to 550 MBF, all harvested in Year 10. These changes enable us to examine the impact of greater tax liabilities that result from increasing the number of property tax payments and from annual increases in both property tax and STF severance tax rates.<sup>1</sup>

#### Step 1. Calculate 30-year property tax liability.

	Forestland Program		STF Option	
	Western Oregon	Eastern Oregon	Western Oregon	Eastern Oregon
Total property tax	\$15,272.01	\$2,604.72	\$3,025.03	\$495.91

#### Step 2. Calculate total STF severance tax liability under the STF Option.

The total STF severance tax liability takes into account the new 550 MBF harvest in Year 10 and the higher severance tax resulting from annual rate increases.

	Harvest volume	Tax rate <sup>2</sup>		STF severance tax	
		Western Oregon	Eastern Oregon	Western Oregon	Eastern Oregon
Total STF severance tax	550	\$5.36	\$4.19	\$2,948.00	\$2,304.50

**Step 3. Summarize the total tax liability: Forestland vs. STF.** Remember to compare like quantities (“apples to apples”); i.e., compare the complete sets of taxes owed under the Forestland Program and the STF Option. First, compile all taxes pertinent to both.

	Forestland Program		STF Option	
	Western Oregon	Eastern Oregon	Western Oregon	Eastern Oregon
Property tax	\$15,272.01	\$2,604.72	\$3,025.03	\$ 495.91
STF severance tax	N/A <sup>3</sup>	N/A <sup>3</sup>	\$2,948.00	\$2,304.50
<b>Total tax liability</b>	<b>\$15,272.01</b>	<b>\$2,604.72</b>	<b>\$5,973.03</b>	<b>\$2,800.41</b>

#### Step 4. Compare the results.

	Total tax liability	
	Western Oregon	Eastern Oregon
Forestland Program	\$15,272.01	<b>\$2,604.72</b>
STF Option	<b>\$5,973.03</b>	\$2,800.41

**Step 5. Make the decision.** In western Oregon, the STF Option is the better choice despite the large STF severance tax payment for the Year 10 harvest. The primary reason it's the better choice is the dramatic reduction in property tax that the STF Option provides. In eastern Oregon, the situation is reversed. The Forestland Program is the better choice, primarily because the Forestland Program carries no STF severance tax. In this example, the harvest is a substantial one for eastern Oregon, and it creates an STF severance tax liability large enough to sway the decision.

<sup>1</sup> According to current law, annual property tax and STF severance tax rates may increase up to 3 percent per year. A tool that incorporates this maximum 3 percent increase into calculations is the Landowner Model spreadsheet at [http://www.oregon.gov/DOR/TIMBER/docs/landowner\\_model.xls](http://www.oregon.gov/DOR/TIMBER/docs/landowner_model.xls). The model was used to make the calculations in this example. Some numbers reported here may vary slightly from hand calculations based on the number of decimal places carried in the model and its rounding procedures.

<sup>2</sup> These STF severance tax rates reflect 2006 rates increased at 3 percent per year until the assumed harvest in Year 10.

<sup>3</sup> No STF severance tax is paid under the Forestland Program.

## Additional practical considerations

### Before harvest

You must notify the ODF before harvesting any timber for sale. Submit a “Notification of Operations/Application for Permit” (commonly called the “Logging Permit”). Currently, the process and the permit are free. The ODF sends a copy of the notification to the DOR, which then issues tax forms to the individual listed as the timber owner on the notification. Additionally, the Notification of Operations form contains a notification number. Mills may require this notification or permit number before buying your timber.

Property owners within most Urban Growth Boundaries also must obtain a Notification of Operations. Some jurisdictions have additional permit requirements for activities that are not regulated by ODF’s rules. If your property is within an Urban Growth Boundary, contact the city or county planning department or ODF (your local office or Salem headquarters) to check on forest practices requirements and possible ordinances that are separate from the ODF Forest Practices Rules.

### During and after harvest

Keep all records of the volumes (tons, MBF, pole lengths, cubic feet, etc.) of products removed during harvest. Westside timber owners commonly determine volumes based on MBF (Scribner scale) of 32-foot logs. Eastside timber owners determine volumes based on 16-foot logs. DOR provides tables to convert per-ton or per-pole volumes to MBF volumes; also, see Extension publications “Measuring Timber Products Harvested from Your Woodland,” EC 1127, and “Stand Volume and Growth: Getting the Numbers,” EC 1190 (see page 23).

STF severance tax and the FPHT are not computed on lower quality material normally left in the woods. Quality, however, is the key—once “sawmill and better” grade material is removed from the woods for whatever reason, that material is subject to the STF severance tax. Logs milled on site still are subject to both STF severance tax and the FPHT.

### Who pays the STF severance tax and the harvest tax?

The owner of timber at the time logs are first measured (scaled) is responsible for any STF severance tax or FPHT potentially

**Table 2.—Type of transaction and responsible taxpayer.**

Type of transaction	Responsible taxpayer
Outright sale of standing timber only	Timber purchaser (at the tax rate of the landowner)
Sale of land and timber by deed	Purchaser of property
Sale of land and timber by land sales contract	Purchaser of property
Sale of logs prior to any measurement; e.g., from the landing	Purchaser of logs (at the tax rate of the landowner)
Trading timber for services; e.g., logging, land clearing, reforestation, and/or materials	Person receiving timber (at the tax rate of the landowner)
Sale of delivered logs to a mill or conversion center	Legal owner of the logs
Timber given as a gift	Recipient of gift (at the tax rate of the landowner)



due. Generally, logs first are measured when they are delivered and sold to a mill. When timber is to be sold, it's important that the parties involved understand who is responsible for paying timber taxes. The following explains in some detail who is responsible for payment.

- The name of the party owning the logs when they first are measured for sale should appear as the timber owner on the "Notification of Operations/Application for Permit." This ensures that the party responsible for filing returns and paying the tax receives filing instructions and tax forms from the DOR.
- The legal owner of timber (taxpayer) may not "contract away" any responsibility to pay the tax.

If you're unsure about who is legally responsible to pay taxes, Table 2 may help.

### ***Due dates and income tax concerns***

Even though the STF severance tax and FPHT are due by January 31 in the year *after* harvest, to claim these expenses on your income tax return in the year *of* harvest, you must pay the taxes by December 31 of the harvest year. This can be an important deadline in your tax planning. Check with your tax adviser to understand its importance in your situation.

In years of large timber harvests, you may need to make estimated quarterly payments of the FPHT. Check with DOR and/or your tax adviser if you plan large harvests. Estimated payments are not required for the STF severance tax, but "advanced" payments *may* be made if doing so appears advantageous; consult your tax adviser.

### ***Zoning versus special assessment***

The concepts of "special assessment" and "zoning" frequently are confused when dealing with forest taxation. It is important to know what each of these is and generally how they work because they affect how your land is taxed and what uses are permitted on your property. In Oregon, land is assigned (assessed) a value for property tax purposes based on its real market value (RMV). RMV generally reflects the land's value when developed to its full potential.

While forest special assessments require that the land be used for timber production, their fundamental purpose is to reduce tax liability. Zoning, however, is a process whose sole purpose is regulating the types of activities that may occur and structures that may be placed on a property. Zoning is not intended to reduce tax liability; zoning's possible impact on a property's assessment for tax purposes is totally secondary.

**Special assessment** Through the legislature, the state recognizes the importance of maintaining forestlands that actively produce timber. Thus, several special assessment programs have been created to help reduce and/or delay the forestland owner's tax burden. To qualify for a special assessment, the owner must apply (generally through the county tax assessor), and the property must meet certain requirements. Special assessment, then, is a way for the owner of productive forestland dedicated to growing timber to lower the tax liability compared to taxes that would have been owed under RMV assessment. One very important forestry special assessment provision, the STF Option, has been described already. Descriptions of several other programs (see pages 18–20) are included below.

It is important to recognize that the state legislature passes the laws governing special assessment programs. The DOR then administers the forestland special assessment programs. County tax assessors cooperate with the DOR to work with landowners and to facilitate the process. Your application for the STF Option will, for example, be filed with your county assessor and forwarded to the DOR for STF severance tax processing. It is best to begin with your county assessor if you have questions about special assessments.

**Zoning** Tree growing is rarely an activity prohibited by zoning regulations. However, activities associated with forest management or timber production may be inappropriate under certain land-use classifications (zones). For example, tree growing may be perfectly acceptable in a residential area, but chemical application, slash disposal, or large-scale harvest operations probably would be inappropriate. Restrictions imposed

by zoning have nothing to do with valuing (assessing) the land for taxes; rather, they are a means of ensuring that the land's use is compatible with its location. Because zoning is handled by each county planning department, names given to zones vary. Examples are Exclusive Farm Use, Exclusive Farm Use–Grazing, Exclusive Farm Use–Cropland, Mixed Farm Forest, Rural Residential, and Commercial Use. While state law may place some limits on land use, counties generally operate autonomously regarding zoning. For answers to zoning-related questions, start with your county planning department. Remember, zoning and special assessment are different. Your property may be zoned for forest use, but that does not mean that you *automatically* will receive special assessment as forestland. You may have to apply to the county assessor to receive a forestland special assessment.

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## Other fees and assessments

The ODF protects most private, municipal, and state forestlands from fire. For most landowners, the charges for these fire protection services are collected from an acreage-based assessment and surcharges appearing on the annual county-issued property tax statement. Public landowners (e.g., city watersheds), nonprofit organizations (e.g., the Boy Scouts), and public utilities (e.g., power companies) are billed directly by ODF. Additionally, monies from the FPHT also support fire prevention and suppression activities in 13 forest protection districts in Oregon.

### **Fire Patrol assessments**

Fire Patrol assessments fund the basic fire prevention, resource readiness, fire suppression, and administration functions of the Forest Protection Districts. Owners of private lands provide a percentage of the total funding; the Oregon General Fund provides the balance. Publicly owned forestlands do not receive support from the General Fund, and they do pay a higher amount than private lands.

The rate paid by landowners varies annually by district and forestland type. Districts each have a different rate based on local determination of the cost of adequate protection and any debits or credits from the previous fire season. Within a district, rates vary depending on whether the land is public or private, timber or grazing.

The minimum cost to provide fire protection services for any forestland property in a Forest Protection District is \$18 per tax lot (\$15 to the district, and \$3 to the Forest Land Protection Fund). Under special circumstances of state funding, the minimum may drop to \$15 per tax lot (ORS 477.295). In both cases, if one owns more than one tax lot, then the full charge is the fee multiplied by the appropriate number of tax lots. Even if the assessment is calculated to be less, the owner still pays the minimum. For example, using a 65.65¢ per-acre rate<sup>1</sup> for private forestland on a 10-acre tract results in an assessment of \$6.57 ( $\$0.6565 \times 10 = \$6.57$ ). Because this is less than the \$18 minimum, the owner must pay the minimum \$18 assessment. If the ownership acreage and the calculated assessment exceed the minimum, the owner will pay the larger amount. For example, using the same per-acre rate<sup>1</sup>, a 50-acre tract assessment is \$32.83 ( $\$0.6565 \times 50 = \$32.83$ ). Since this exceeds the \$18 minimum, the landowner will pay the larger amount, \$32.83.

To obtain current land assessment rates for this program, contact your Forest Protection District or county assessor.

### **Oregon Forest Land Protection Fund assessments and surcharge**

The Oregon Forest Land Protection (OFLP) Fund pays the cost of fighting the large, most expensive fires. This prevents individual Forest Protection Districts from spending all their funds on just one or two fires each summer.

The OFLP Fund receives monies from two sources—from the FPHT and from assessments and surcharges paid by individual forestland owners. The assessments and surcharge portion has three parts.

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<sup>1</sup> West Oregon District, fiscal year 2006

- An assessment of 4¢ or 6¢ per acre based on the land use classification (i.e., forestland, grazing land, agricultural land) and its location on lots that pay more than the minimum \$18 assessment (ORS 477.880)
- A surcharge of \$38 on improved lots (ORS 477.277)
- A charge of \$3 levied on each parcel paying the \$18 minimum assessment (ORS 477.295)

If the total Fund balance exceeds \$22.5 million, then the FPHT, the 4¢ or 6¢ acreage assessment, and the \$38 improvement surcharge are reduced by half in the following year (ORS 477.760). If the total Fund balance exceeds \$30 million, the charges are not assessed again until after the fund balance falls below \$22.5 million.

Current assessments, surcharges, and FPHT rates are on the DOR and ODF websites and in the DOR and ODF publications listed on page 23.

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## Farmland Converted to Forest Use Program (Western Oregon)

Land in western Oregon that has been used and taxed as farmland for the prior 10 years but has been planted with forest tree species may continue to be valued as farmland until the trees reach age 40. When trying to decide between farm and forest special assessment, be sure to check with your county assessor. You cannot assume that one always brings a lower special assessment value than the other.

**How to apply for the Farmland Converted to Forest Use Program** Apply to the county assessor. The assessor will use your completed application to determine whether the land qualifies.

**Ownership size** Your tax lot must be at least 2 acres to qualify.

**Forestland criteria** Criteria are the same as for the Forestland Program (see page 3). Lands not adequately stocked within 5 years will be disqualified.

**Annual property tax** Land under this program is taxed at a special rate, based on

the ability of the land to produce farm products. This value often is less than the RMV used to tax other properties.

**Disqualification or removal** The county assessor may disqualify lands that no longer meet program standards. The owner must pay an additional tax assessment, which is the difference between the tax paid the previous 5 years and the tax that would have been paid for the same 5-year period had the land been taxed at RMV.

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## Farm Woodlot Program

Often, specially assessed farmland contains timbered areas adjacent to farmed land. An owner of this type of property can place up to 20 acres of timberland into a farm woodlot. Farm woodlot property is valued as if the underlying land were being used for farming. The timberland must be contiguous to the assessed farmland.

**How to apply for the Farm Woodlot Program** Contact your county assessor for an application for the Farm Woodlot Program. The assessor will use your completed application to determine whether the land qualifies.

**Ownership size** There is no minimum size for this program, but the land used as a woodlot cannot exceed 20 acres.

**Forestland criteria** The land must contain trees but does not need to meet the species and stocking requirements of the Oregon Forest Practices Act.

**Annual property tax** Land under this program is taxed at a special rate, based on its potential farm or ranch income. The specially assessed value often is less than the RMV used for taxing other properties and may be less than specially assessed forestland values.

**Disqualification or removal** The county assessor may disqualify lands that do not meet program standards. The owner must pay an additional tax assessment, which is the difference between the tax actually paid and the tax that would have been paid for the same period had the land been taxed at RMV. The total is computed on a period of 5 or 10 years, based on other criteria determined by the county.

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## Wildlife Habitat Conservation and Management Program

Landowners who manage their property for wildlife habitat may receive a property tax benefit. Landowners with qualifying property must develop a wildlife habitat conservation and management plan in conjunction with a “cooperating agency.” This could be the Oregon Department of Fish and Wildlife (ODFW), the local or county Soil and Water Conservation District (SWCD), the U.S. Fish and Wildlife Service (USF&WS), the U.S. Natural Resources Conservation Service (NRCS), the OSU Extension Service, or other qualified entities. The ODFW administers the program. For more information, visit the ODFW website at [http://www.dfw.state.or.us/lands/lands\\_brochure.pdf](http://www.dfw.state.or.us/lands/lands_brochure.pdf).

**Requirements for designation** Land must be in a participating city or county, and the land must be within one of two areas:

- An area zoned for exclusive farm use, mixed farm and forest use, or forest use;
- or*
- The participating city or county may allow qualified lands to go into the program

**How to apply** To participate in the program, landowners must complete the following steps.

Step 1. Get certification from the county that the subject property is eligible for the program based on zoning and other applicable land-use requirements.

Step 2. Get a template or guidelines from ODFW about the elements required for an acceptable wildlife management plan. Then, work with a local ODFW, USF&WS, SWCD, NRCS, Extension agent, or other qualified person to develop the plan.

Step 3. Ask the local ODFW representative to review and approve the plan.

Step 4. Take the plan approval document to the county assessor and request a Wildlife Habitat Conservation and Management property tax application form; complete and submit the form to the assessor. Assuming everything is in order,

the property (or tax lot) should be enrolled in the program.

**Annual property tax** Land designated as wildlife habitat will be taxed at specially assessed forestland or farmland value, which often is less than the RMV used for taxing other properties.

**Disqualification or removal** When land is disqualified from the Wildlife Habitat Conservation and Management Program, an additional tax is levied against it and appears on the next property tax statement. The additional tax is the difference between the taxes actually assessed against the land and the taxes had the property not been specially assessed. The number of years of additional tax depends on how the land is zoned.

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## Home-site values

Home sites associated with forestland special assessments are valued separately from the land. Qualifying home sites, used in conjunction with more than 10 acres of qualifying forestland\*, must use the special assessment process described in Example 9 for calculating the tax on the land under the dwelling. The total special assessment value of the land on which the dwelling stands is the average RMV per acre of all land of common ownership\*\* contiguous with the home site plus the value of the on-site developments (septic, domestic well, landscaping, etc.) up to a maximum of \$4,000. The home site value is based on the value of 1 acre regardless of the actual “footprint” of the home site. Land other than the home site that is under forest-related buildings is assessed at RMV. Taxes on the improvements (any structures) are calculated separately from taxes on the land on which the structures stand.

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\*Check with your county assessor for current qualification criteria.

\*\*Common ownership is direct ownership by one or more individuals, or ownership by a corporation, partnership, association, or other entity in which an individual owns a majority interest.

### Example 9. Home site valuation.

Carolyn and Joe want to place a home on a 1-acre home site on their 80-acre forest property. As in Example 2 (page 5), we assume that their property RMV is \$190,000 (western Oregon) or \$32,000 (eastern Oregon) and their property tax rate is \$12.65 per \$1,000 of assessed value. The total tax on their forested property—figured at 79 acres *and* the 1 acre of land under their home site—would be calculated as follows.

#### Step 1. Calculate special assessment value of land under dwelling.

Land special assessment value = average per-acre value of land under dwelling  
= total property RMV<sup>1</sup> ÷ total property acreage<sup>1</sup>

	Western Oregon	Eastern Oregon
Land special assessment value	\$190,000 ÷ 80 = <b>\$2,375.00</b>	\$32,000 ÷ 80 = <b>\$400.00</b>

#### Step 2. Confirm maximum value of on-site developments.<sup>2</sup>

	Western Oregon	Eastern Oregon
Maximum value <sup>3</sup>	<b>\$4,000.00</b>	<b>\$4,000.00</b>

#### Step 3. Calculate home site total special assessment value.

Home site total special assessment value = land special assessment value + on-site developments value

	Western Oregon	Eastern Oregon
Land special assessment value	\$2,375.00	\$400.00
Maximum on-site developments value	\$4,000.00	\$4,000.00
Home site total special assessment value	<b>\$6,375.00</b>	<b>\$4,400.00</b>

#### Step 4. Calculate tax on home site land.

Tax on home site land = taxable value per \$1,000 × tax rate

	Western Oregon	Eastern Oregon
Tax rate	\$12.65	\$12.65
Total home site taxable value	\$6,375.00	\$4,400.00
Home site taxable value per \$1,000	6.375	4.400
Total tax on 1-acre home site	<b>\$80.64</b>	<b>\$55.66</b>

#### Step 5. Calculate total property tax.

	Western Oregon	Eastern Oregon
Tax on 79 forested acres	\$316.99 <sup>4</sup>	\$54.06 <sup>4</sup>
Tax on 1-acre home site	\$80.64	\$55.66
Total property tax	<b>\$397.63</b>	<b>\$109.72</b>

<sup>1</sup> Both values are based on the *total* property acreage.

<sup>2</sup> Examples include septic system, domestic well, and landscaping.

<sup>3</sup> Statute currently limits this amount to \$4,000.

<sup>4</sup> Calculate the new property tax on 79 acres of forestland as in Example 1 (page 4). Example for western Oregon: 79 acres × \$317.20 = \$25,058.80 taxable value; then, \$25,058.80 ÷ \$1,000 = 25.058 × \$12.65 = \$316.99 tax.

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## Where to go for help

### **Oregon Department of Revenue**

**Timber Tax staff** For information about the Oregon forestland tax programs and basic forest management techniques or for help with timber tax forms, call 1-800-356-4222 toll-free in Oregon, 503-378-4988 in Salem, or e-mail [timber.tax.help@state.or.us](mailto:timber.tax.help@state.or.us). You also can visit the DOR office in Salem; please call ahead to make an appointment.

**County assessor staff (Farm Forest Appraisers)** Call your county assessor's office for information on property tax and information on the land portion of the forestland programs. See the DOR website (page 2) for a list of all county assessors in Oregon or check your phone book under "County Government."

**Oregon State University Extension foresters** Call the OSU Extension Service office that serves your county to get information on forest management techniques, long-term forest management planning, and forestland programs. Check your phone book under "County Government" or see the Extension Forestry website at <http://www.cof.orst.edu/cof/extended/extserv/> and the DOR website (page 2) for a list of Extension foresters.

**Oregon Department of Forestry stewardship foresters** Call the ODF office nearest you for information on forest management techniques, long-term forest management planning, financial incentives, and forestland programs. Check your phone book under "State Government" or see the ODF and DOR websites (page 2) for a list of ODF offices.

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## Summary

The forest property tax and assessment programs can seem a bit overwhelming. Remember that, at most, only three specific taxes are applicable—property tax, STF severance tax, and the Forest Products Harvest Tax (FPHT). Since all timber harvesters must pay the FPHT, your options boil

down to deciding whether you'd be better off paying your total remaining forest tax liability annually through just the property tax—i.e., under the Forestland Program—or whether it would be better to pay *part* of the liability annually through the property tax and the *remainder* after your timber harvests, through the STF severance tax. Assuming that your property qualifies for the pertinent tax provision, you must then evaluate your harvesting and land-use plans to reach a final decision. The descriptions we have presented can help you to screen possibilities and determine what is better for you.

Regardless of whether you're in the Forestland Program or the STF Option, remember that generating income from timber harvesting usually triggers other taxes. Before beginning a timber sale, explore the tax implications of severance and harvest taxes and federal and state income taxes.

Each landowner's situation will vary and should be reviewed in light of current and expected future rates for property, STF severance, and harvest taxes. If you don't know how your property and timber are taxed currently, it's well worth checking with the assessor in the county where the property is located. And, from time to time, it's valuable to reassess options to find those that best fit your needs.

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## For more information

*Forest Owners' Guide to the Federal Income Tax*, USDA Forest Service Agriculture Handbook 718, March 2001. Currently out of print but available at no charge on the Web at:  
<http://www.timbertax.org/>

*2006/07 Oregon Forestland Taxes, Assessments and Credits*. Oregon Department of Forestry, updated semi-annually. Available from OSU Extension foresters and ODF stewardship foresters. The most current version is available on the ODF website, at [http://egov.oregon.gov/ODF/PRIVATE\\_FORESTS/private\\_forests.shtml#Forest\\_Taxes](http://egov.oregon.gov/ODF/PRIVATE_FORESTS/private_forests.shtml#Forest_Taxes)

*Understanding Oregon's Timber Tax Programs: How They Affect You; with Appendices A–E*. January 2006 revision. Oregon Department of Revenue, Timber Unit, Property Tax Division. Call the DOR at 800-356-4222; also available on the DOR website, [http://www.oregon.gov/DOR/TIMBER/ptd\\_timberpubs.shtml](http://www.oregon.gov/DOR/TIMBER/ptd_timberpubs.shtml)

*Special Assessment Programs for Forestland*, Publication 150-441-649. October 2005. Oregon Department of Revenue, Timber Tax Unit, Property Tax Division. Call the DOR at 800-356-4222; also available on DOR's website, [http://www.oregon.gov/DOR/TIMBER/ptd\\_timberpubs.shtml](http://www.oregon.gov/DOR/TIMBER/ptd_timberpubs.shtml)

*Estate Planning for Forest Landowners – What Will Become of Your Timberland?* Haney, H.L., Jr., and W.C. Siegel. September 1993. U.S. Department of Agriculture, Southern Forest Experiment Station. General Technical Report SO-97.

*Measuring Timber Products Harvested from Your Woodland*, EC 1127. Oester, P. and S. Bowers. Reprinted June 2003. OSU Extension Service.

*Stand Volume and Growth: Getting the Numbers*, EC 1190. Bowers, S., N. Coleman, and R. Fletcher. Reprinted May 2004. OSU Extension Service.

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The Woodland Workbook comprises some 60 publications prepared by Oregon State University Extension foresters specifically for owners and managers of private, nonindustrial woodlands. Workbook publications contain information of long-range and day-to-day value for anyone interested in wise management, conservation, and use of woodland properties. Publications are available for purchase separately. For information about how to order, and for a current list of titles and prices, contact the OSU Extension Service office that serves your county. Or, visit Extension's online catalog of educational materials at <http://extension.oregonstate.edu/catalog/>

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