



Business Management

Oregon's Forest Products Harvest Tax

Oregon Revised Statutes 321.005 and 477.805 contain the law that applies to the Forest Products Harvest Tax.

In addition to property taxes, including severance taxes on privately owned timber, Oregon levies a special tax on all "merchantable forest products" harvested from private, county, state, and Federal forest land. For this law, *merchantable forest products* are defined as all products harvested for sale or for use.

The revenue collected from this tax is used to support forestry research at Oregon State University, to provide an emergency fund for suppression of forest fires (primarily on private owned forest land and land managed by the U.S. Bureau of Land Management), and to administer the Oregon Forest Practices Act. Table 1 summarizes the various taxes levied under this law.

Who pays the tax?

The owner of the forest product at the time the product is harvested is liable for the harvest tax. Among those defined as *owner* under the Forest Products Harvest Tax and therefore liable for paying the tax are:



Oregon State University Extension Service

Table 1.—*The Oregon Forest Products Harvest Tax is collected on all merchantable forest products^a harvested in Oregon. Tax is used for forestry research, fire suppression, and enforcement of the Oregon Forest Practices Act. Information current as of August 1, 1983.*

Purpose of tax	Termination date	Applicable area and products taxed	Amount of tax (per 1,000 BF) in cents
Finance forestry research	Indefinite	Harvests of merchantable forest products on forest land	5
Finance forestry research	June 30, 1985	Harvests of merchantable forest products on forest land	18
Finance fire suppression	Indefinite	Harvests of merchantable forest products on <i>protected</i> forest land ^b	15
Finance enforcement of Oregon Forest Practices Act	June 30, 1985	Harvests of merchantable forest products on forest land	12

^a *Merchantable forest products* includes all products harvested for sale or for use.

^b *Protected* forest land means any forest land protected from fire by the state forester or by agreement or contract with the state forester or State Board of Forestry. Federally owned land within national forest boundaries is not classed as "protected" forest land; therefore, there is no Forest Products Harvest Tax for fire suppression on timber cut on this land.

- the purchaser of Federal, state, or private stumpage (standing timber);
- the private owner of forest land who cuts and markets timber from his or her land.

Before harvesting forest products, an operator must fill out a notification of operations form (harvest permit) available at local offices of the Oregon Department of Forestry. The person listed as owner of the timber on this form automatically receives a copy of the Forest Products Harvest Tax return. It is the responsibility of the owner at the time of harvest to insure that the tax is paid.

How much is the tax?

Oregon levies a Forest Products Tax (table 1) of 35 cents per thousand board feet of merchantable forest products harvested from any forest land in Oregon. Of this 35 cents, 23 cents is used to finance forestry research at Oregon State University. Originally (1947) 5 cents, this portion of the tax will be 23 cents per thousand board feet to July 1, 1985.

The remaining 12 cents per thousand board feet provides the

funds to enforce the Oregon Forest Practices Act. This act protects Oregon's water resources and maintains forest productivity.

In addition to the 35 cents per thousand board feet levied on timber harvested on any forest land, Oregon levies a harvest tax of 15 cents per thousand board feet on merchantable forest products harvested on *protected* forest land (land protected from fire by the state forester or by agreement or contract with the state forester or State Board of Forestry). Because the U.S. Forest Service is responsible for fire suppression on Federal forest land managed by the Service, forest products harvested on these lands are exempt from the Oregon tax for fire suppression.

To summarize, owners of timber, standing or windfalls, harvested on *protected* lands pay a total Forest Products Harvest Tax of 50 cents per thousand board feet. Protected lands include all private, state and Federal forest land, except land managed by the U.S. Forest Service. Owners of timber harvested from U.S. national forests pay a total Forest Products Harvest Tax of 35 cents per thousand board feet.

The Oregon Legislature reviews these tax rates every 2 years.

What products are taxed?

Oregon taxes all merchantable forest products, either as directly measured in thousands of board feet, or as indirectly measured through conversion from some other measurement. The measurement standard is the Scribner Decimal C log rule. In western Oregon, forest products are taxed on their board foot scale for 32-foot log lengths; in eastern Oregon, for 16-foot log lengths.

(Eastern and western Oregon are separated by a boundary traced by the summit of the Cascade Mountains. Wasco, Jefferson, Deschutes, and Klamath counties are in eastern Oregon. Hood River County is in western Oregon.)

The tax is based on the board foot volume after defects have been deducted. The tax on "cull" logs is based on the net usable log volume or its equivalent net chippable volume.

In addition to saw logs, other products taxed include cordwood, chips, fence posts, ties, poles, and piling. The volume in thousands of board feet for these products is determined by conversion tables preprinted on the Forest Products Harvest Tax return.

Is there a tax exemption?

The first 25,000 board feet of timber harvested during the state's fiscal year (July 1 to June 30) is excluded when computing the Forest Products Harvest Tax due. However, if you cut less than 25,000 board feet in the fiscal year, you must still file the return, even though no tax is due.

When is the harvest tax due?

The date the harvest tax is due depends on the amount of tax you owe within the 6-month reporting period (July through December or January through June). If your estimate of the harvest tax due for the next 6-month period is \$300 or less, then you may file a semiannual return for forest products harvested in the preceding 6-month period, on or before the last day in January or July.



If your estimate of the harvest tax due for the next 6-month reporting period is *more than \$300*, then you must file an Estimate of Tax Liability return for that period and make a quarterly payment of at least one-half of the estimated tax to the Department of Revenue. You must file the Estimate of Tax Liability form together with the tax payment by the end of the fourth month in the 6-month reporting period—that is, by either October 31 or April 30.

Here is a relatively easy way to estimate whether your forest products harvest tax will exceed \$300 for the 6-month reporting period and thus require that you file an Estimate of Tax Liability return for the quarter.

1. *If you are cutting on land protected by the Oregon Department of Forestry*, divide the \$300 limit by the Forest Products Harvest Tax rate for this land.

This gives you an estimate of the number of board feet you can cut in a 6-month reporting period before you must file an Estimate of Tax Liability form for the first quarter of the 6-month reporting period. The Forest Products Harvest Tax to July 1, 1985, is \$0.50 per thousand board feet harvested: \$300 divided by \$0.50 equals 600 thousand board feet.

2. *If you are cutting on land not protected by the Oregon Department of Forestry* (primarily land within national forest boundaries), divide the \$300 limit by the current tax rate for this land, \$0.35 per thousand board feet. This gives you the thousands of board feet you may harvest in a 6-month reporting period before you must file the report and pay the estimated tax on a quarterly basis: \$300 divided by \$0.35 equals 857 thousand board feet.

If the legislature changes the Forest Products Harvest Tax rate, use the new rate to estimate the thousands of board feet you are permitted to harvest in a 6-month reporting period before you must file the Estimate of Tax Liability return and pay the Forest Products Harvest Tax on a quarterly basis.

What are the penalties for late or deficient payment?

A delinquent tax due for the 6-month reporting period bears an interest rate of $1\frac{1}{2}$ percent per month from the time the return was due until you pay it, plus a penalty of 5 percent of the amount of the

delinquent tax. An additional 20 percent of the delinquent tax is assessed for returns filed more than 3 months after the due dates (July 31 or January 31 for the previous 6-month reporting period).

A delinquent *estimated* tax, due for the first quarter in each 6-month reporting period, bears a penalty, in the form of interest, at the rate of 1 percent per month from the time the report was due. However, no penalty is levied if the report is filed on time and the tax payment paid at that time meets one of the following conditions:

1. payment is at least 50 percent of the actual tax liability for the *prior* 6-month period *or*
2. payment is at least 40 percent of the actual tax liability for the *present* 6-month period *or*
3. payment is 100 percent of the tax liability on the actual timber harvested during the first calendar quarter of the present 6-month reporting period.

How can you appeal?

The taxpayer may appeal a Notice of Deficiency (of taxes) issued by the Department of Revenue by filing a petition with the Department of Revenue in Salem within 30 days of the date of the notice. If you choose to present your protest personally, you may request an informal conference with a representative of the Department of Revenue.

If, after considering your petition, the Department of Revenue finds that a balance is due, you will receive a Notice of Assessment for deficient taxes, plus penalty and additional interest. If you appeal this notice, you must do it in writing, within 90 days of the mailing date of the Notice of Assessment. You appeal first to the director of the Department of Revenue, then, if necessary, to the Oregon Tax court.

The Woodland Workbook is a collection of more than 50 publications prepared by the Oregon State University Extension Service specifically for owners and managers of private, nonindustrial woodlands. The *Workbook* is organized into 10 sections containing information of long-range and day-to-day value for anyone interested in wise management, conservation, and use of woodland properties. The sections are Management Planning, Forest Measurements, Reforestation, Stand Management, Logging, Marketing Forest Products, Multiple Use, Forestry Issues, Business Management, and Woodland Assistance.

Although each woodland publication is intended to be complete in itself, you may wish to purchase the entire set in a three-ring *Woodland Workbook* binder with tabbed dividers for each section. If you wish to purchase only the three-ring binder for filing copies of our woodland publications, you may obtain the binder and dividers as a package. Or you may purchase individual *Workshop* publications as you need them.

For information about how to order and for a current list of titles and prices, write Bulletin Mailing Office, Oregon State University, Corvallis, OR 97331, or inquire at the office of the Oregon State University Extension Service that serves your county.



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