Business Management

Forest Property Taxation in Eastern Oregon

Oregon State University Extension Service

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In Oregon, property taxes are used to finance local government. With some exceptions, they are determined by computing a tax rate and multiplying the market value of each owner's property by this rate. The tax rate is calculated each year by dividing the total budget for each taxing district (minus revenue from other sources) by the total property value in the district.

**Forest property taxes in eastern Oregon**

Forest land in eastern Oregon is taxed in the same way—that is, the county assessor multiplies your assessed land value by the local property tax rate to get the tax you owe each year on the land.

However, the trees on your land are exempt from property taxation until you harvest them. Under the Eastern Oregon Severance Tax, when you harvest timber, you pay a severance tax of 5% of the value of the standing timber immediately before cutting (the "immediate harvest" value). The true cash value of your forest land on January 1 of each assessment year is used to calculate the property tax on the land. The legislature established a base of $25 per acre for the true cash value for 1982.

For each assessment year thereafter, the true cash value for the previous year will be adjusted by a forest land index calculated by the Oregon Department of Revenue (ODR).

**Calculating the forest land index**

ODR first compares:

a. the average annual immediate harvest values (stumpage values) for the most recent 5 fiscal years with

b. the average for the 5 fiscal years "beginning one year prior to the most recent five-year harvest dates" (sometimes called the "lagged 5-year period").

Then ODR adds half the decimal increase or decrease resulting from the comparison above to the number 1.0. This is the forest land index.

This index, multiplied by the true cash value for forest land for the previous assessment year, gives true cash value for the present assessment year.

This value, adjusted by a statewide ratio for "other" property (that is, all property except dwellings), and multiplied by the local tax rate, gives the property tax due for your forest land for the tax year.

To understand better how the forest land index for eastern Oregon is calculated and how it is used, consider the steps outlined in table 1.

**Classification as forest land**

If your land is in an area zoned for forest use, it will usually have a true cash value reflecting that use. However, the assessor may have assigned a higher use for the land and, therefore, will have entered a higher assessed value on the assessment rolls.

Compare the land values used for assessing your forest land with those published by the assessor for forest lands. Ask the assessor to explain any discrepancies.

If the true cash value for your forest land exceeds the true cash value for forest land in the tax district, you may apply to have it designated as forest land and tax on its potential for forest production.

To have it designated as forest land, obtain an ODR form called "Application for Designation of Land as Forest Land" from your county assessor's office or from the local ODR office.
Table 1.—Method used to calculate the assessed value for 1983 for forest land in eastern Oregon

<table>
<thead>
<tr>
<th>Year</th>
<th>Most recent 5-year period</th>
<th>Lagged 5-year period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>74.20</td>
<td>74.20</td>
</tr>
<tr>
<td>1978</td>
<td>81.60</td>
<td>81.60</td>
</tr>
<tr>
<td>1979</td>
<td>114.00</td>
<td>114.00</td>
</tr>
<tr>
<td>1980</td>
<td>105.60</td>
<td>105.60</td>
</tr>
<tr>
<td>1981</td>
<td>106.90</td>
<td>106.90</td>
</tr>
<tr>
<td>1982</td>
<td>115.95</td>
<td>115.95</td>
</tr>
<tr>
<td>Total</td>
<td>524.05</td>
<td>482.30</td>
</tr>
</tbody>
</table>

Average for 5 years: \( \frac{524.05}{5} = 104.81 \) 
\( \frac{482.30}{5} = 96.46 \) 

Percentage change: \( \frac{104.81 - 96.46 \times 100}{96.46} = 8.66\% \)

One-half the percentage change: \( 8.66\% \times \frac{1}{2} = 4.33\% \)

Decimal equivalent: \( 4.33\% \div 100 = 0.0433 \)

Forest land index: \( 1 + 0.0433 = 1.0433 \)

Step 1
Oregon Department of Revenue (ODR) calculates the forest land index for the fiscal year 1982-83 from 5-year average stumpage values as follows:

Step 2
ODR applies the forest land index to the true cash value for forest land in eastern Oregon for 1982, to obtain the true cash value for 1983:

\( \frac{25}{acre (1982)} \times 1.0433 = \frac{26.08}{acre true cash value for 1983} \)

Step 3
The local assessor applies the statewide ratio for "other" property for 1983 (.909) to calculate the assessed value for forest land for 1983 in eastern Oregon:

\( \frac{26.08/acre}{\times 0.909} \) (statewide ratio) \( \frac{23.71/acre}{assessed value for 1983}. \)

Removal of designation
Once land has been designated as forest land, it will be valued accordingly until the assessor removes the designation. The assessor will remove it from classification if designated forest land for one of these reasons:
1. The taxpayer requests removal from designation as forest land.
2. The property is sold or transferred to an ownership exempt from ad valorem property taxation.
3. The assessor discovers the property is no longer used for forest production.

Additional tax due on land on removal from designation
Land in eastern Oregon designated as forest land may be changed to special farm use assessment, or vice versa, without additional taxes or penalty.

If designated forest land is disqualified or declassified, the assessor will notify the owner and levy an additional tax. To calculate the additional tax due, the assessor:

a. finds the number of years the land was designated as forest land or under special farm use assessment, for a maximum of 5 years;
b. determines the total amount by which the taxes on the land for the last year of designation would have been increased if the land had not been designated as forest land or under special farm use assessment; and
c. multiplies this amount by the number of years the land held the designation (step a, above), for the additional tax due.
If your designated land is removed from this classification and if it has previously (and continuously) been specially assessed as farm land in an exclusive farm use zone (EFU) outside of an urban growth boundary (UGB), then the assessor increases the maximum-years provision (step a, above) from 5 to 10, to calculate the additional tax due.

Calculating tax on forest land

Assuming that your land is classed as forest land, how will it be taxed? To calculate your tax, the assessor will multiply the tax rate for the tax district in which your forest land lies by the total assessed value of that forest land.

An example for the 1983 assessment year may help explain the procedure:

Example 1. A taxpayer has 50 acres of forest land in Klamath County in eastern Oregon, currently valued at $23.71 per acre for forest use (table 1, step 3). The tax rate for the year is $10 per $1,000 of assessed value.

The assessor will calculate your total land tax in this way:

a. 50 acres x $23.71 per acre = $1,185.50 total assessed forest land value.

b. $1,185.50 x $10 tax/$1,000 assessed value = $11.86 tax due.

Therefore, by November 15 you must pay the tax collector $11.86 (or at least a third of this amount), if you decide to postpone tax payment without penalty.

Tax on land formerly under the Forest Fee and Yield Tax (reforestation land)

Rather than change abruptly from the rather low annual land tax of $5 per acre for reforestation land, full ad valorem taxation of forest land, only 5% of the full assessed value was taxed in 1978.

Each year thereafter, the percentage to be taxed increases by 5% until in 20 years (1997), the full forest land value will be taxed.

To calculate the new forest land tax due in 1983 for reforestation land, the assessor uses 30% of the appropriate 1983 land value and multiplies this figure by the local code area tax rate.

Example 2. If you own 50 acres of forest land in Klamath County classified as reforestation land. The county assessor valued it at $23.71 per acre for forest use and multiplies this value by 30% to get the assessed value for 1983 for former reforestation land $7.11 per acre. For the 50 acres, the assessed value is $355.50.

If the local tax rate is $10 per $1,000, the tax for this land in 1983 is $3.56 for the 50-acre tract of forest land:

a. $23.71 acre x 30% = $7.11/acre (assessed value for this reforestation land in 1983)

b. $7.11/acre x 50 acres x tax rate of $10/$1,000 = $355.50 x $10/$1,000 = $3.56 total tax on the land

Timber taxation

Under the Eastern Oregon Severance Tax, your timber is exempt from taxation until you harvest it. When you do harvest your timber, a severance tax of 5% is levied on the immediate harvest value.

ODR assigns the immediate harvest values for all timber classed under the Eastern Oregon Severance Tax. These may vary by geographical (market) area within a county, by species, and (for ponderosa pine) by log size within the species class.

By January of each year, ODR determines these stumpage values for the following fiscal year and publishes them in a Schedule of Immediate Harvest Values and Area Descriptions.

This schedule is available at local ODR offices. When you calculate your severance tax, use the stumpage values from this schedule to fill out your timber severance tax return.

ODR automatically sends a timber severance tax return to the individual or company listed as timber owner on the State Forestry Notification of Operations permit. If your logger completes the permit, be sure he or she lists you as timber owner on the permit.

Ask the logger to write your Federal employer identification number or your social security number on the permit, too. (You can also obtain a copy of the timber severance tax return at the local ODR office.)

To complete the eastern Oregon timber severance tax return, you must know the map location of your timber to find the proper area number. Next, you must have the volume of each species cut in each area. For ponderosa pine, you will also need the average log volume for 16-foot logs, by area.

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For species other than ponderosa pine, you find the stumpage value (immediate harvest value) for each species by area in the Schedule of Immediate Harvest Values and Area Descriptions and enter it on the severance tax return.

The total volume in thousands of board feet, multiplied by value per thousand board feet, equals the total value to be taxed.

For ponderosa pine, the same procedure is used, except that you must know the average log volume for timber harvested in the semianual period to find the stumpage value used in calculating the tax:

1. Calculate the number of 16-foot ponderosa pine logs you harvested by adding the lineal lengths of all ponderosa pine logs you harvested from each area in the 6-month reporting period.
2. Divide this total by 16 feet, to get the number of 16-foot logs cut.
3. Divide the total ponderosa pine harvest volume by the number of 16-foot logs, to get the average log size.
4. Look up the average log size in the Schedule of Immediate Harvest Values and Area Descriptions to find the ponderosa pine stumpage value per 1,000 board feet (MBF) for the area.
5. Multiply the total stumpage value as for other species.

Calculating the tax on timber

Here is an example to show how the tax is calculated:

Example 3. On the 50 acres of land in example 1 (page 4), assume you cut 75,000 board feet of ponderosa pine. All cutting occurred in March, 1983, in Klamath County and was scaled at the mill.

The area description on the Schedule of Immediate Harvest Values and Area Descriptions shows that your land is located in Area 18-1.

First, you must determine from the schedule the stumpage value for tax purposes for any species you harvest. All stumpage values are listed by area (18-1 in this case).

For ponderosa pine, you must also know the average log volume to find the stumpage values used in the tax calculations.

To calculate the average log volume for ponderosa pine, add the lineal feet of ponderosa pine logs from the scale slips for the 6-month period. Divide the total lineal feet by 16 to get the equivalent number of 16-foot logs produced in the period.

In our example, a tally of mill scale slips shows that 10,432 lineal feet of ponderosa pine logs were scaled from trees cut on the 50 acres in Area 18-1.

10,432 lineal ft

Divide the total mill scale of 75,000 board feet of ponderosa pine by 652 logs to get the average log volume:

75,000 bd. ft

52 logs

According to the schedule, the stumpage value for an average log volume of 115 board feet for fiscal year 1982-83 for tax purposes is $126 per 1,000 board feet (MBF).

Total value = $126/MBF × 75 MBF

for tax purposes = $9,450
Therefore, the tax for the second half of fiscal year 1982-83 will be 5% of $9,450.

Severance tax

$9,450 x .05 = $472.50

The severance tax of $472.50 and a completed eastern Oregon timber severance tax return will be due by July 31, 1983.

Severance tax on former reforestation land

The yield (severance) tax paid for timber harvested from lands formerly classed as reforestation land starts at 12½% for 1978 and decreases by .25% per year (11¼% in 1983).

By 2008, the rate will be equal to the severance tax under the Eastern Oregon Severance Tax—5%. If the severance tax remains at its present level.

Paying the severance tax

To avoid penalties, you must make your severance tax payments on or before the last day of the month following the close of the tax period. Make your check for your tax (in example 3, $472.50) payable to the Department of Revenue.

Mail both check and completed eastern Oregon timber severance tax return to Timber Section, Department of Revenue, P.O. Box 14003, Salem, Oregon 97310.

If you have questions or need help, phone the Department of Revenue in Salem: (503) 378-3375.

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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. For more 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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