Forest Property Taxation in Eastern Oregon

Alternatives for the Small Woodlands Owners
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FOREST PROPERTY TAXATION
IN
EASTERN OREGON
1980

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

If you own forest property in eastern Oregon, the timber will be taxed under the Eastern Oregon Severance Tax. This applies to forest property in counties east of the summit of the Cascades. The Forest Fee & Yield Tax law was repealed by the 1977 Oregon State Legislature. Taxation of land and timber formerly under this law will be gradually phased into the Eastern Oregon Severance Tax.

Eastern Oregon Severance Tax
(ORS 321.405)

In discussing forest property taxation it is convenient to separate land taxation from timber taxation.

Land Taxation

Your forest land is appraised by appraisers from the county assessor's office at least every six years. This appraised value must represent the market value of forest land primarily used for timber production. These values are published yearly for each land use class and are the values assigned on January 1 for calculating the tax on your forest land.

Compare the land values used for assessing your forest land with those published by the assessor for forest lands. In areas zoned for forest use these published values and the values used for your land should be equal. Ask the assessor to explain any discrepancies.

In areas zoned for other, higher uses, your appraised value may be higher than the published values for forest lands. If you are managing your land for forest production, you may apply to have it "designated" as forest land and taxed on its potential for forest production.

Each separate parcel of forest land must be two acres or more to be eligible for consideration as designated forest land.

To have it "designated" as forest land you must obtain a green form titled "Application for Designation of Land as Forest Land" from the county assessor's office or from the local office of the Department of Revenue.
Fill this out and return it to the county assessor's office. If the assessor approves your application, he will assign a forest land value to all of your property eligible for forest land classification.

Lands classed as Reforestation Lands (Forest Fee and Yield Tax) as of July 1, 1977, are considered to have been designated as forest land from the date of original classification as Reforestation land.

Removal of Designation

Once land has been designated as forest land, it will be valued accordingly until removed from designation by the assessor. The assessor will remove it from classification as designated forest land for the following 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 Removal from Designation

If lands designated as forest lands, including former Reforestation Lands, are removed from designation, additional tax and interest may be due. To determine the additional tax due, the taxes paid while the land was designated are calculated and subtracted from the taxes that would have been paid if the land had not been classed as designated forest land. This tax is calculated for each year the land was classed as designated forest land, for a maximum of 5 years. Simple interest at the rate of six (6) percent is charged for each year an additional tax is due.

Calculation of 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 district in which your forest land lies by the total value of the forest land you own in the district.

An example will help explain the procedure.

A taxpayer has fifty acres of forest land in Klamath County in eastern Oregon, currently assessed at $19 per acre for forest use. The tax rate for the year is $10 per thousand dollars of assessed value. Here is how your total land tax will be calculated:
Fifty acres x $19 per acre = $950 total assessed forest land value
0.950 thousands of dollars x $10 tax per thousand of assessed value = 0.950 x $10 = $9.50 taxes due.

Therefore, by November 15 you must pay the tax collector $9.50, or at least a fourth of this amount, if you elect to postpone tax payment without penalty.

Land Tax on Former Reforestation Land

Rather than change abruptly from the rather low annual land tax of 5 cents per acre to full ad valorem taxation of forest land, only 5 percent of the full assessed land value was taxed in 1978. Each year thereafter the percentage to be taxed increases by 5 percent until in twenty years (1997) the full forest land value will be taxed. To calculate the new forest land tax due in 1981 for Reforestation Land, the assessor uses 20 percent of the appropriate 1981 land value and multiplies this figure times the local code area tax rate. For example, assume that you own 50 acres of forest land in Klamath County classified as Reforestation Land. The county assessor might value it at $19 per acre for forest use. This value ($19) is multiplied by 20 percent to get the assessed value for 1981 for former Reforestation Land -- $3.80 per acre. For the fifty acres the assessed value is $190. If the local tax rate is $10 per thousand dollars, the tax for this land in 1981 is $.038 per acre, or $1.90 for the fifty acre tract of forest land.

$19/acre x 20 percent = $3.80/acre (assessed value for this Reforestation Land in 1981)

$3.80/acre x .010 (tax rate) x 50 acres = $.038 tax per acre x 50 acres = $1.90

Timber Taxation

Under the Eastern Oregon Severance Tax, your timber is exempt from taxation until it is harvested. When you harvest your timber, a severance tax of 5 percent is levied on the stumpage value of this timber.

The stumpage values for all timber classed under the Eastern Oregon Severance Tax are assigned by the Oregon Department of Revenue. These may vary by geographical (market) area within a county, by species and by log size within the ponderosa pine species class.

By July of each year, the Department of Revenue 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 the local office of the Department of Revenue. When you calculate your severance tax for the preceding two quarters, you will use the stumpage values from this schedule to fill out your Timber Severance Tax Return.

The Department of Revenue will automatically send a Timber Severance Tax Return to the individual or company listed as timber owner on the
Notification of Operations permit. If your logger completes the permit, be sure to ask him to list 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 may also obtain a copy of the Timber Severance Tax Return at the local office of the Department of Revenue.

In reporting timber harvest semi-annually, any harvest occurring before December 31, or June 30 is reported for the preceding six month period. The date of harvest is considered to be the date the quantity of timber cut is normally measured. For example, if following usual procedure, your timber is cut on June 25 and hauled to the mill on July 6 where it is first measured, then you would report this harvest for the second half of the calendar year.

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 and for ponderosa pine, the average log volume for 16-foot logs by area.

For species other than ponderosa pine, the stumpage value (immediate harvest value) for each species by area is found in the "Schedule of Immediate Harvest Values" and entered in 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 semi-annual period to find the stumpage value used in the calculation of the tax. First, calculate the number of 16-foot ponderosa pine logs harvested by adding the lineal lengths of all ponderosa pine logs harvested from an "area" in the six-month reporting period. Divide this total by sixteen feet to get the number of 16-foot logs cut. Next, divide the total ponderosa pine harvest volume by the number of 16-foot logs to get the average log size. The average log size in board feet is then used in the "Schedule of Immediate Harvest Values" to find the ponderosa pine stumpage value per thousand board feet for the area. The total stumpage value is calculated as for other species.

The total stumpage value for all timber harvested in all areas is then multiplied by 5 percent to find the timber severance tax you owe for the period.

If your tax liability for any semi-annual period is less than five dollars, (equivalent to an exemption of $100 of stumpage value) you are not required to pay the tax, but you must file a severance tax return. Owners expecting to owe a tax of $2,500 or more for a six month period must file an estimate of the tax on or before the last day of April or October and pay at least one-half of the estimated amount of tax. The form for this estimate is available at the Department of Revenue.

Calculation of the Tax on Timber

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

On the fifty acres of land in the previous example, assume you cut 75,000 board feet of ponderosa pine. All cutting occurred in August, 1980, in Klamath County and was scaled at the mill.
The area description on the Schedule of Immediate Harvest Value shows that your land is located in Area 18-1.

First you must determine from the Schedule of Immediate Harvest Value 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 value used in the tax calculation.

To calculate the average log volume for ponderosa pine add the lineal feet of ponderosa pine logs from the scale slips at the mill for the six-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.

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\frac{10,432 \text{ lineal feet}}{16 \text{ feet}} = 652 \text{ sixteen-foot logs}
\]

The total mill scale of 75,000 board feet of ponderosa pine is then divided by 652 logs to get the average log volume.

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\frac{75,000 \text{ board feet}}{652 \text{ logs}} = 115 \text{ board feet average log volume}
\]

According to the Schedule of Immediate Harvest Value the stumpage value for an average log volume of 115 bd. ft. for this half year period for tax purposes is $159 per thousand board feet (MBF).

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\text{Total value for tax purposes} = \frac{159}{\text{MBF}} \times 75 \text{ MBF} = 11,925
\]

Therefore, the tax for the second half of the calendar year 1980 will be 5 percent of $11,925.

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\text{Harvest tax} = 11,925 \times 0.05 = 596.25
\]

**Severance Tax on Former Reforestation Land**

The yield (severance) tax paid for timber harvested from lands formerly classed as Reforestation Land starts at 12 1/2 percent for 1978 and decreases by .25 percent per year. By 2008 the rate will be equal to the severance tax under the Eastern Oregon Severance Tax -- five percent if the severance tax remains at its present level.

**Payment of the Severance Tax**

To avoid penalties, tax payments must be made on or before the last day of the month following the close of the tax period. A check for your tax, in this case $596.25 should be made payable to the Department of Revenue. The check and a completed Eastern Oregon Timber Severance Tax Return should be mailed to the Timber Section, Department of Revenue, P.O. Box 14800, Salem, Oregon, 97310.

If you have questions or need help, you can call the Department of Revenue toll free in Oregon (1-800-452-7813) and ask for extension 8-3375.
FOREST PRODUCTS HARVEST TAX
(ORS 321.005)

Though not a real property tax, another tax of importance to forest owners is the Forest Products Harvest Tax - paid by the owner when merchantable timber is cut. For fiscal year 1980-81 this tax amounts to 29 cents per thousand board feet on timber harvested from lands protected by the Oregon State Department of Forestry and 23 cents per thousand board feet on timber harvested from all other forest lands in Oregon.

Proper return forms and information will automatically be furnished by the Department of Revenue to anyone obtaining the required "Notification of Operation" from the Department of Forestry to harvest timber.

The Appeal Procedure for Forest Property Taxation in Eastern Oregon

If you believe that the appraisal values assigned to your real property (in this case forest land or harvest values) are too high, you have the right to appeal these values. Remember that the assessed values placed on your property must approximate market value or value in use as forest land. Your appeal will have a greater likelihood for acceptance if you substantiate your arguments for a reduced assessment. The evidence for an appeal might include:

1. Sales of comparable timber and forest land.
2. Appraisal by a competent appraiser and/or cruiser.

The procedure for making an appeal is described below:

Eastern Oregon Forest Land and Harvest Values

Assessor's Office

Land Assessment

1. The county assessor is required to mail by the 1st Monday in May an "Increase in Value Notice" to any owner whose real property assessment has been increased $400 or 5 percent, whichever is greater.

ORS 308.210
ORS 308.242

2. Assessed values for forest land under the Eastern Oregon Severance Tax are determined as of January 1 of each year by the county assessor. On May 1st the assessment roll is closed. If you believe your forest land assessment is too high, go to the assessor's office before that time and fill out a "Request for Review" form. The assessor will arrange a review of your assessed land value. If you are not satisfied with the results of your review, you may appeal to the County Board of Equalization.
ORS 321.805 to 321.825
ORS 305.280 (1)

3. If your land is not assessed as forest land you may apply to the assessor to have it "designated" as forest land. If the assessor denies your application or removes your forest land from designation as forest land, you may appeal the assessor's decision to the Department of Revenue within 90 days after the assessor mails his decision to you.

County Board of Equalization

1. The county board of equalization consists of a county commissioner, a member of the county budget committee, and a non-office holding county resident chosen by these two.

ORS 309.100

2. To appeal to the county board the assessed value placed by the assessor on your forest land, you must file a petition with the county clerk before the 3rd Monday in May. Appeal forms are in the county clerk's or assessor's office. If you choose to appear before the board, the clerk will arrange a time. However, you do not have to appear before the board to have your case reviewed.

ORS 305.280 (3)

3. If the Board rules against you, you may appeal the Board's decision to the Department of Revenue in Salem within 30 days of the applicable method of notification by the Board. Appeal forms can be obtained from the county assessor's office or from the Department of Revenue.

Department of Revenue

Land Assessment

1. Department of Revenue hearings are usually held by a hearings officer in the courthouse of the county where the appeal originated. You may present your own case or hire an attorney. Corporations must be represented by an attorney.

ORS 305.280 (2)

2. For appeals of either land or timber values, you should be prepared to submit appraisal data prepared by competent appraisers, market data, or income and expense data to show that your property was not assessed fairly in relation to the market data.

ORS 305.280 (2)

3. Appeals of Department of Revenue rulings on land values are made to the Regular Division of the Oregon Tax Court within 90 days of the date of the adjustment letter.

Appeals of Department of Revenue rulings on land values are made to the Regular Division of the Oregon Tax Court.
4. Within 30 days from the date of mailing of a notice of deficiency or delinquency, an owner may appeal to the Department for the revision or refund of any tax. If the revision or refund does not exceed $500, exclusive of interest and penalties, the owner may appeal directly to the Small Claims Division of the Oregon Tax Court.

5. Harvest values determined by the Department of Revenue for an "area" must be appealed on or before July 31 of the year of determination to the Regular Division of the Oregon Tax Court.

1. If the true cash value of your forest land does not exceed $35,000 or if the revision or refund of your harvest tax does not exceed $500, exclusive of interest and penalties, you may appeal directly to the Small Claims Division of the Oregon Tax Court. You must appeal within 90 days of the date of the Department's adjustment letter or the adjustment becomes final.

2. If you elect to appear before the Small Claims Division, the hearing is held in the county where the property lies. The hearing is informal and you may present your own case if you choose. The findings in the Small Claims Division are binding for that year. You may not appeal from the court's decision.

1. Unless your harvest tax revision or refund is $500 or less, you appeal Department of Revenue decisions directly to the Regular Division of the Oregon Tax Court. Appeal must be made within 60 days after a decision of the Department of Revenue is mailed to you.

2. The trial in the Tax Court's Regular Division is a formal hearing and most taxpayers are represented by an attorney. Decisions of the Regular Division of the Tax Court may be appealed to the State Supreme Court.
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Oregon State Library
Salem, 97310