

Oregon Forestland Tax Programs

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Western Forest Economists Meeting
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Today

- Common elements of western state forestland tax systems
- History of Oregon timber and forestland taxation
- Current forestland and timber taxation
- 2009 Legislature - timber tax bills

Common Elements of Western State Timber Tax Programs

- Dual taxation
 - Annual property tax & “Harvest” Tax
- Valuation & administration assigned to state agencies rather than county assessors
- Multiple timber taxation programs in each state
 - Small and large forestland owners

Common Elements (cont)

- Tax advantaged
- Forestland is specially assessed
- Predominant purpose
 - “growing and harvesting timber”
- Timber economy driven
- Many state’s taxes subject to property tax limitation measures



History of Oregon Timber and Forestland Taxation

Timber Tax History

- 1856 - Property tax on forestland and timber
- Timber removed from assessed value
 - 1961 Eastside –
 - ✓ Added 5% harvest (privilege) tax based on **market value**
 - 1977 Westside –
 - ✓ Added 6.5% harvest (privilege) tax based on **market value**
- Small landowner program
 - 1961 Western Oregon Small Tract Optional Tax (WOSTOT)
 - ✓ Eligible for owners with less than 2000 acres
 - ✓ Property tax paid on land “productivity” value (5 classes).
 - ✓ No “Privilege tax”

Timber Tax History (cont)

■ 1947 Forest Products Harvest Tax

➤ Tax on:

- All harvest from public and private lands
- Utility & better grade
- Logs chipped in woods
- Exempt: Hybrid poplar < age 12 and juniper

➤ Tax on **volume** of harvest

➤ 25 MBF exemption

Timber Tax History (cont)

■ Assessed value changes

➤ 1993 Legislature

- ✓ Limited assessed value to 20% of forestland value (20/80)
- ✓ Decreasing privilege tax

➤ 1997 Legislature - Measure 50

- ✓ Cut and capped assessed value based on 90% of 1995-96 assessment value
- ✓ Limited annual growth of assessed value to 3%

Current Forestland & Timber Taxation



Current Timber Taxation

■ 1999 Legislature

➤ Forestland Program

- ✓ Transition assessed value from 20% to **100%** of market value by 2003

- ✓ Phase out privilege tax by 2003

➤ Small landowners – continue old 20% system until 2003

➤ WOSTOT sunset by 2003

■ 2003 All transition to Forestland Program

■ All pay Forest Products Harvest Tax

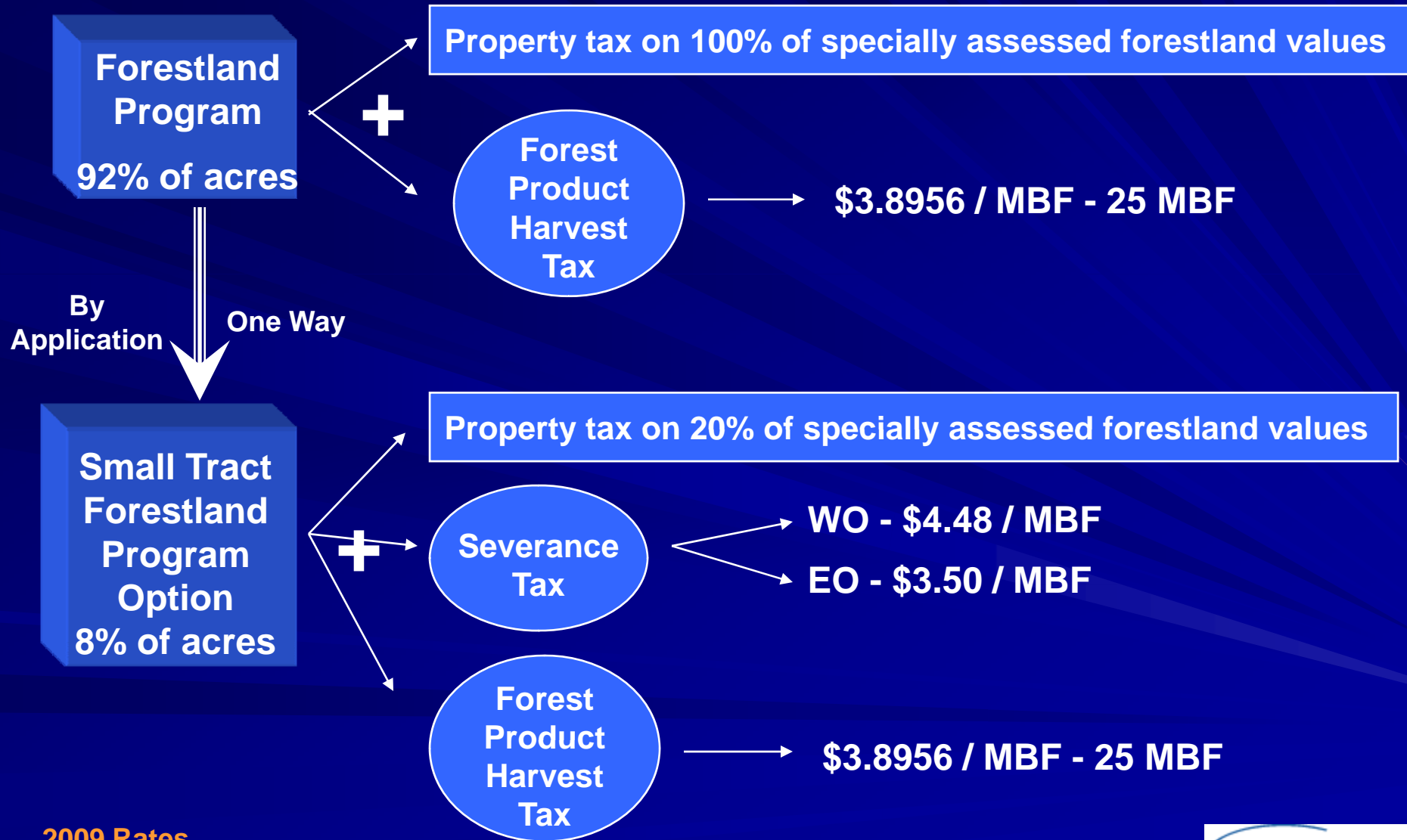
Current Timber Taxation (cont)

■ 2003 Legislature

– Small Tract Forestland program

- **Optional** forestland program by application
- Owners with **10 - 4999** acres statewide
- Taxation to better coincide with cash flow
- Property tax paid on **20%** of assessed value
- Severance (privilege) tax paid on **volume** of harvested timber

Current Forestland Tax Programs



2009 Rates

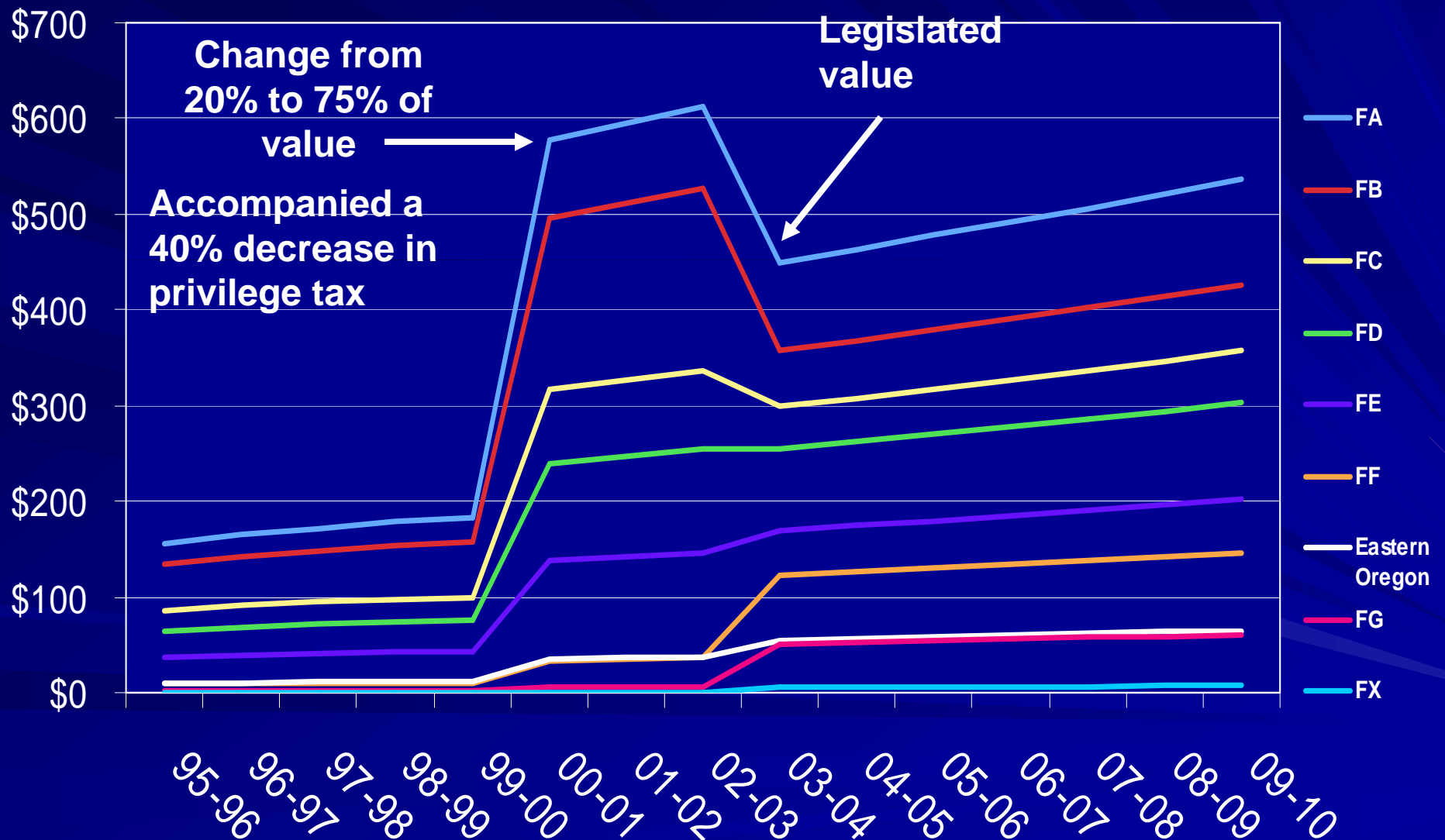
Forestland Valuation

- Transaction analysis for market value
 - 8 value classes
 - Criteria for sales transaction
 - Bare land allocation
 - Arm's length
 - Open market
 - At least 20 acres
- Use lesser of market value and Measure 50 limitation
 - 3% increase per year

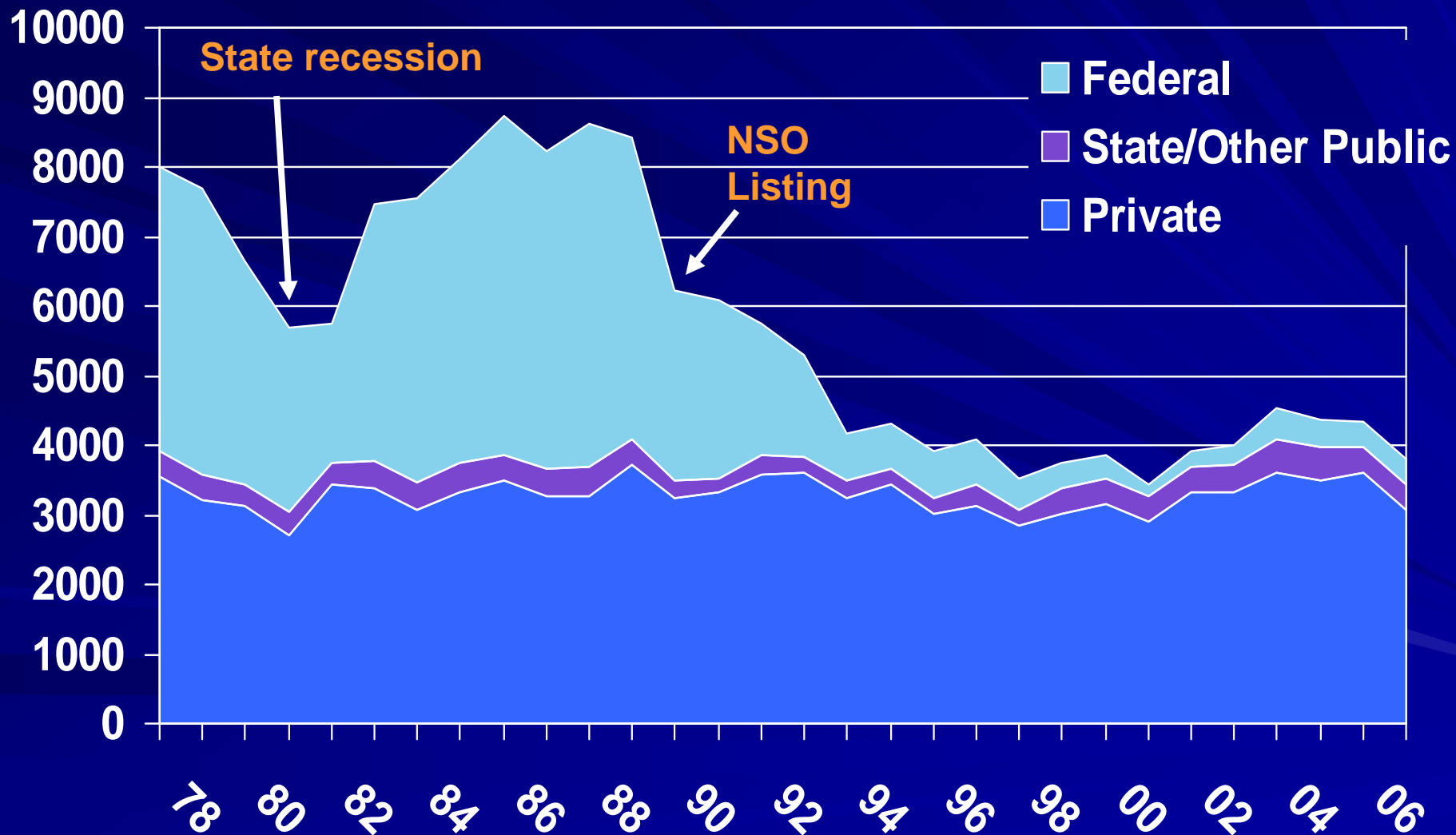
2009 Forestland Valuation

Western Oregon			
Site Class	Forestland Class	Measure 50 Limitation	Market Value
I + I I -	FA	537.30	836
II + II	FB	426.26	662
II - III +	FC	356.99	555
III III - IV +	FD	303.26	473
IV IV -	FE	201.76	314
V + V V -	FF	145.64	227
Below Site V	FG	60.88	97
	FX	7.14	9.66
Eastern Oregon		60.88	111

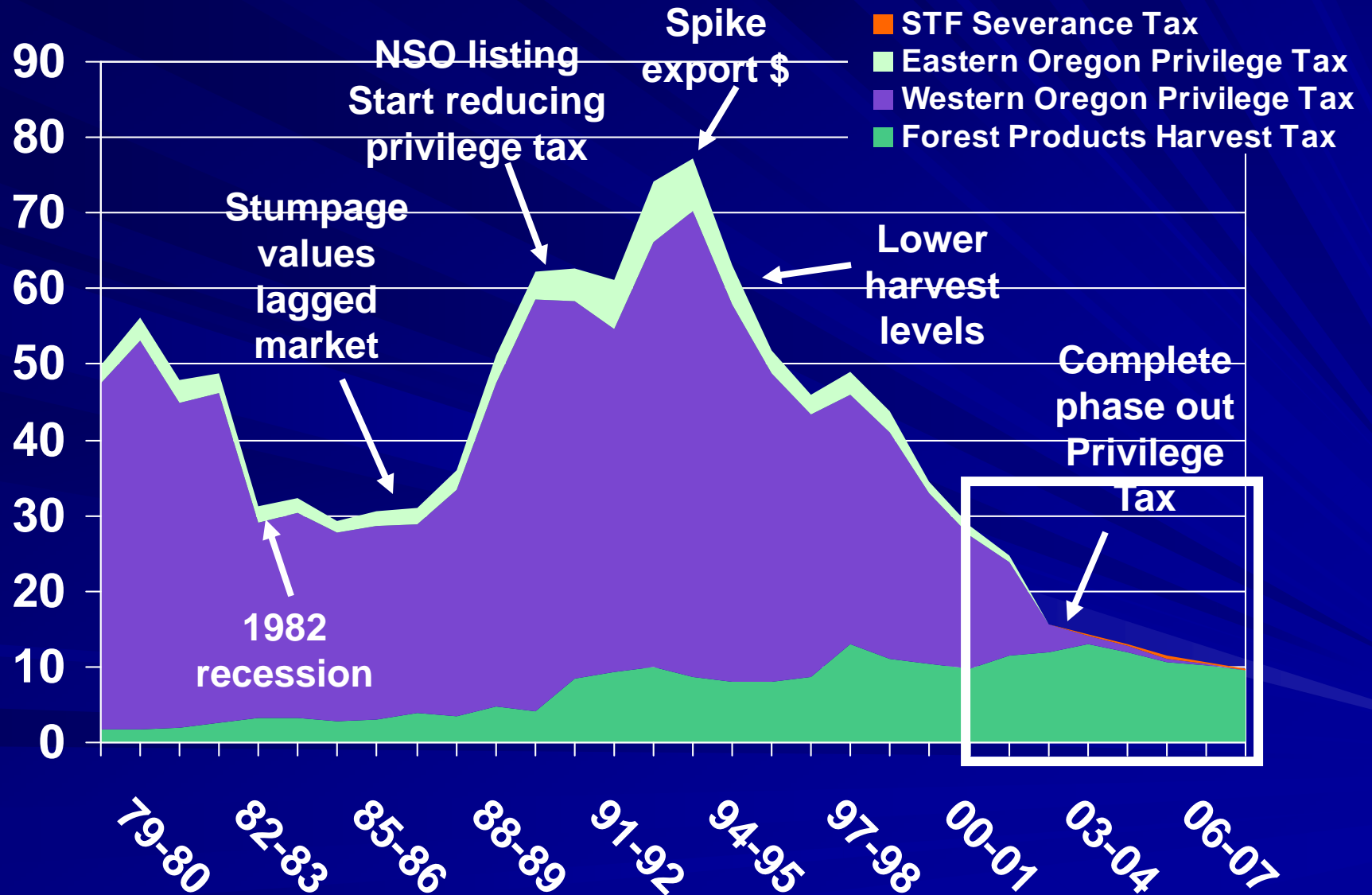
Assessed Value History (per acre)



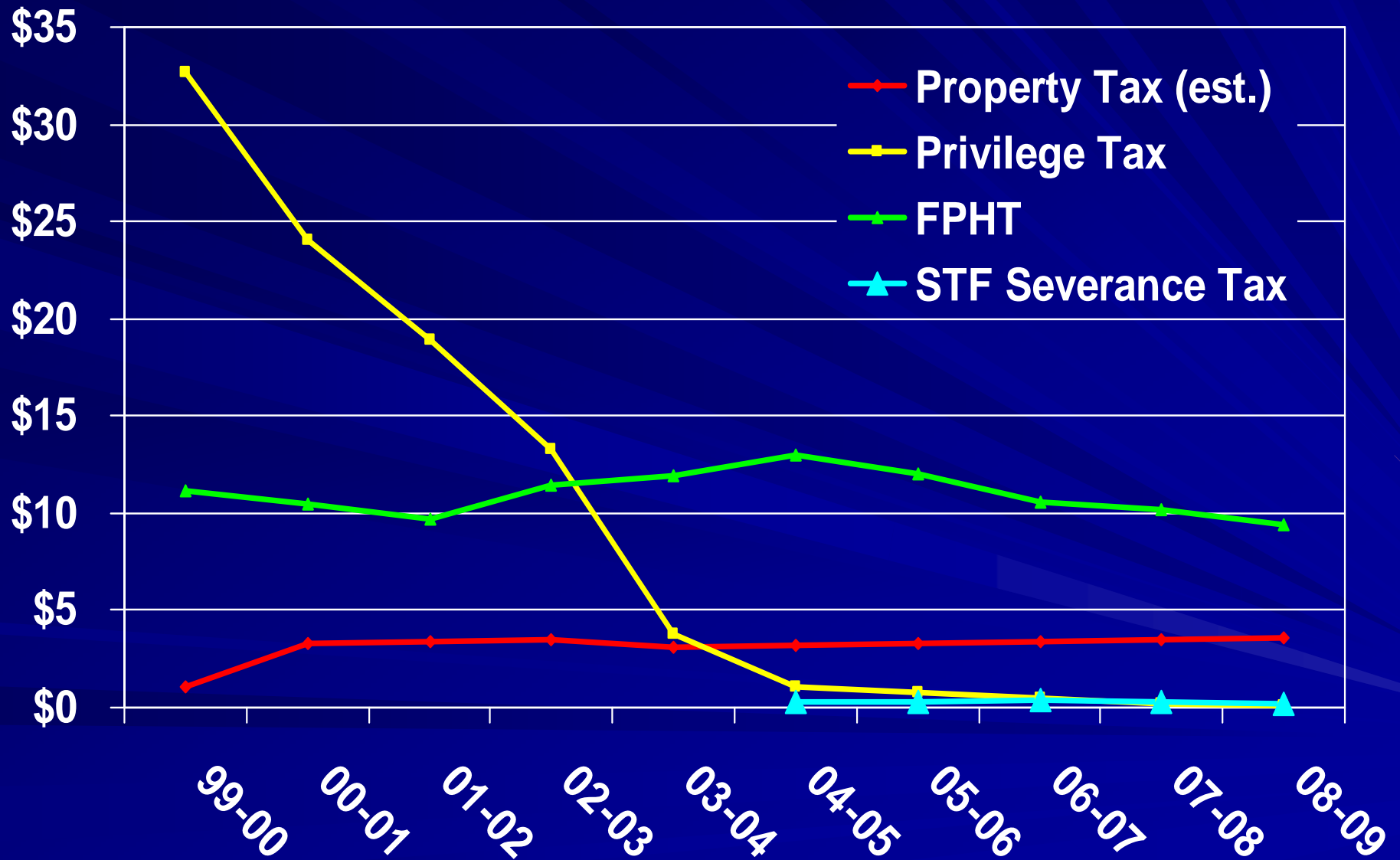
Oregon Timber Harvest (million board feet)



Harvest Tax Collections (million \$)



Property & Harvest Tax Collections (million \$)



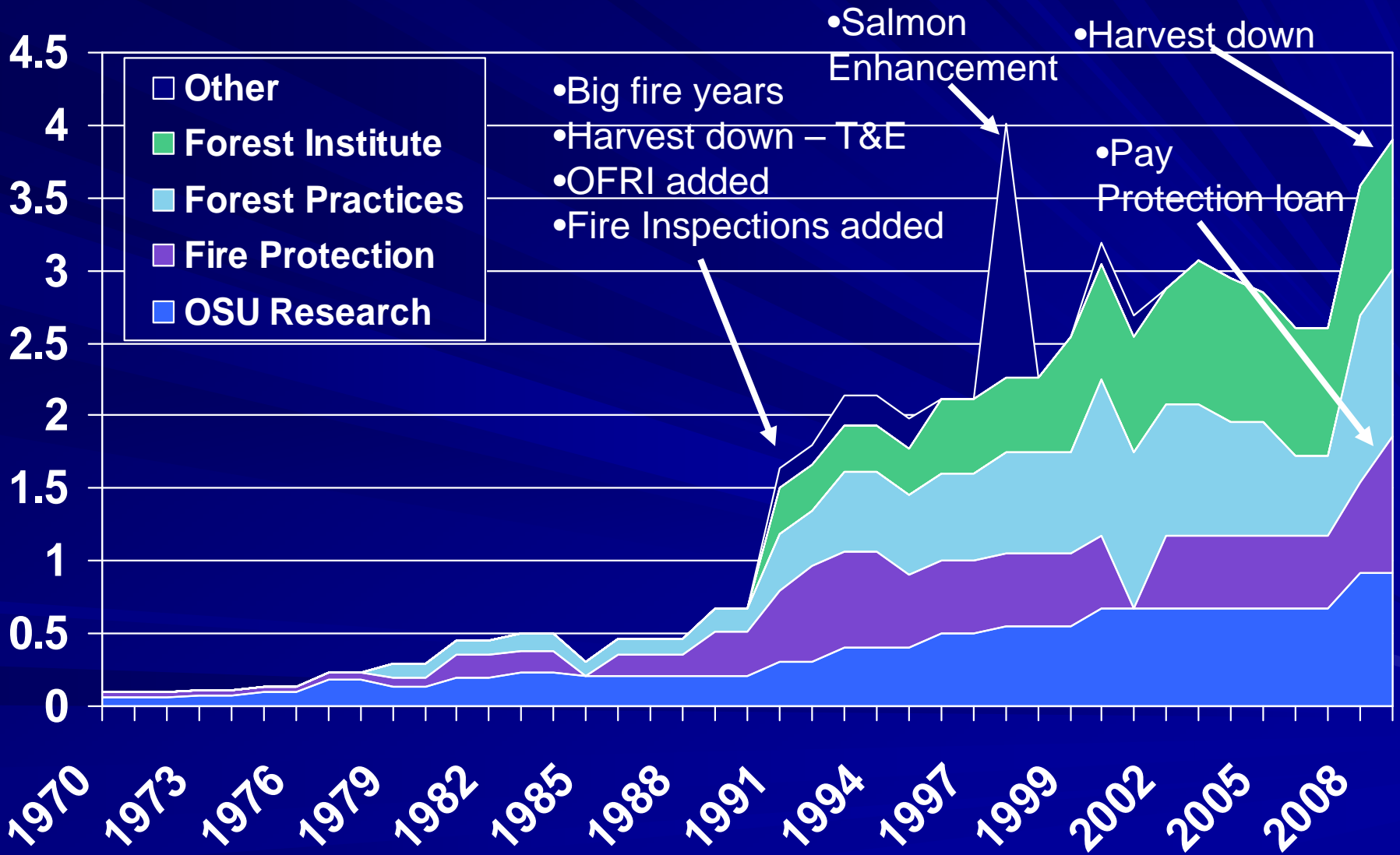


2009 Legislature Timber Tax Bills

2009 Legislative Issue:

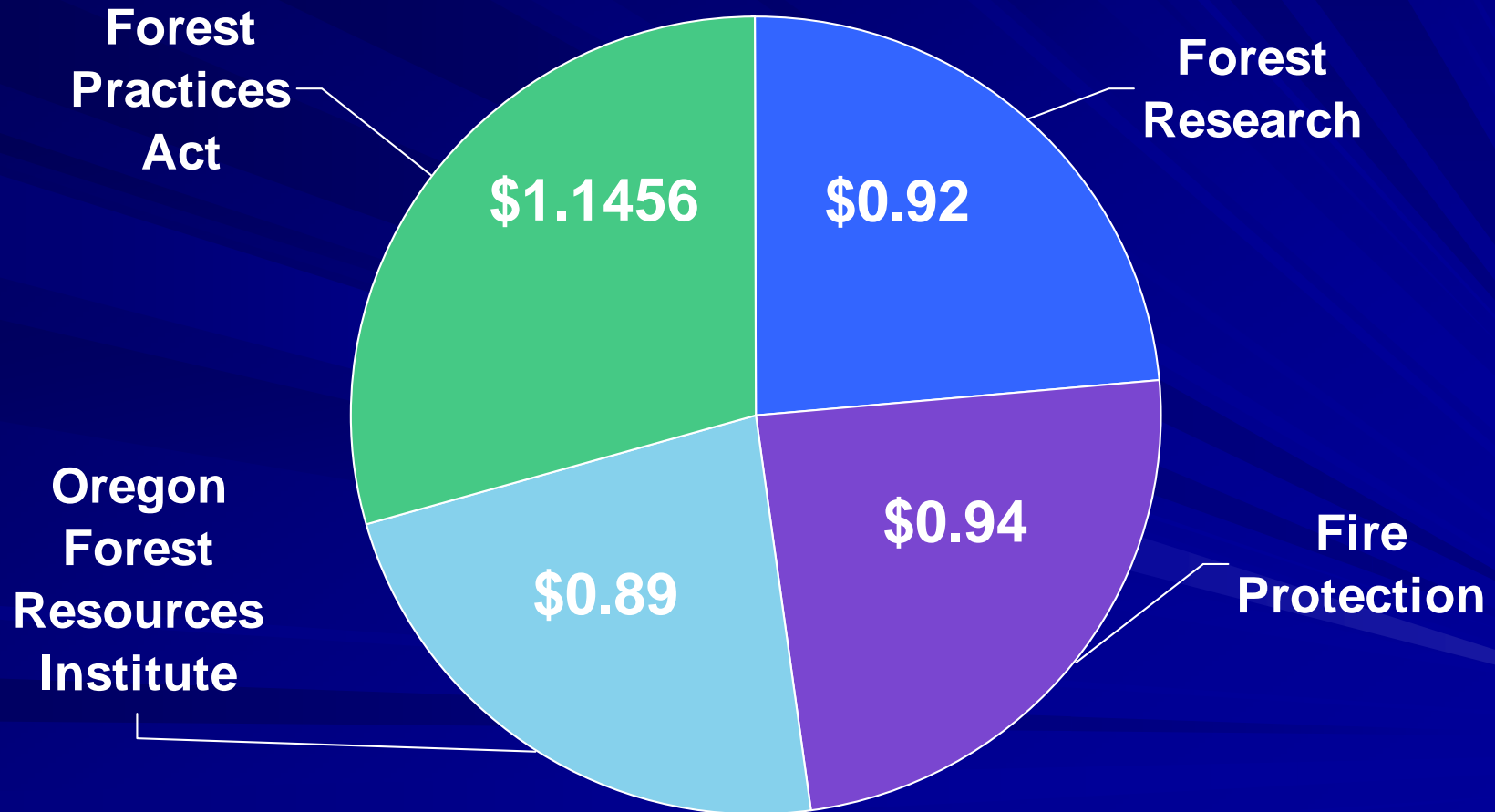
Forest Products Harvest Tax

Forest Products Harvest Tax Rates (dollars)



Forest Products Harvest Tax

2009: \$3.8956 / MBF



2010-2011 FPHT Rate

■ Timber harvest down

- Industry struggling for survival
- Lower harvest taxes would help

■ Tax revenues down

- Recipients of taxes are struggling for survival
- More tax revenue would help



HB 2214 – FPHT Rate

■ OSU Research

- Negotiate rate with OFIC
- 12% of OSU Research Lab budget
- OSU not prepared to set rate yet

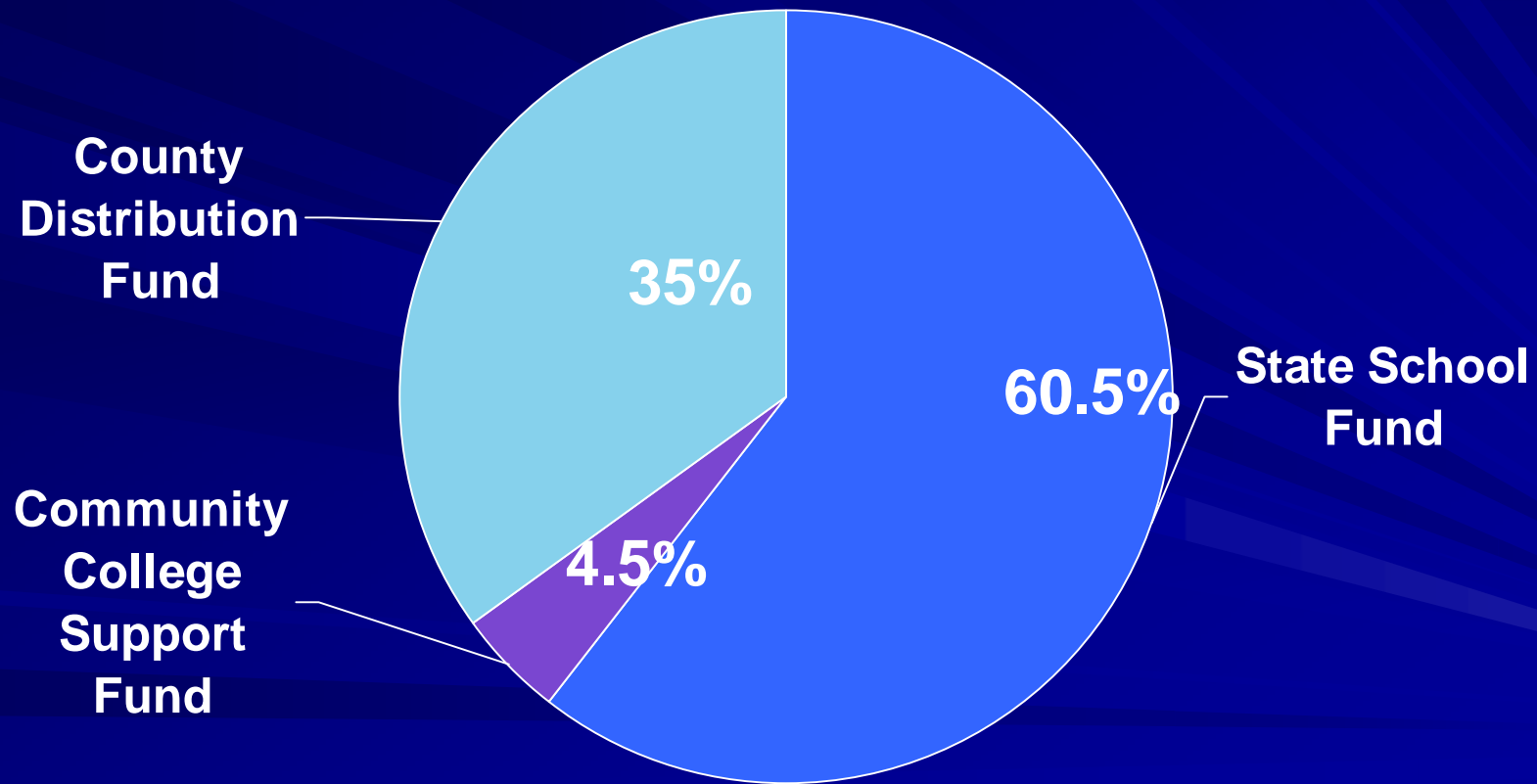
■ ODF FPA administration

- Not more than 40% of ODF foresters' salary
- Less revenues means either:
 - higher tax rate
 - fewer foresters
- Rate considers: Current balance, future income, future budget needs
- ODF waiting for May 10 FPHT disbursement b4 setting rate

2009 Legislative Issue:
Small Tract Forestland

Small Tract Forestland Option Severance Tax

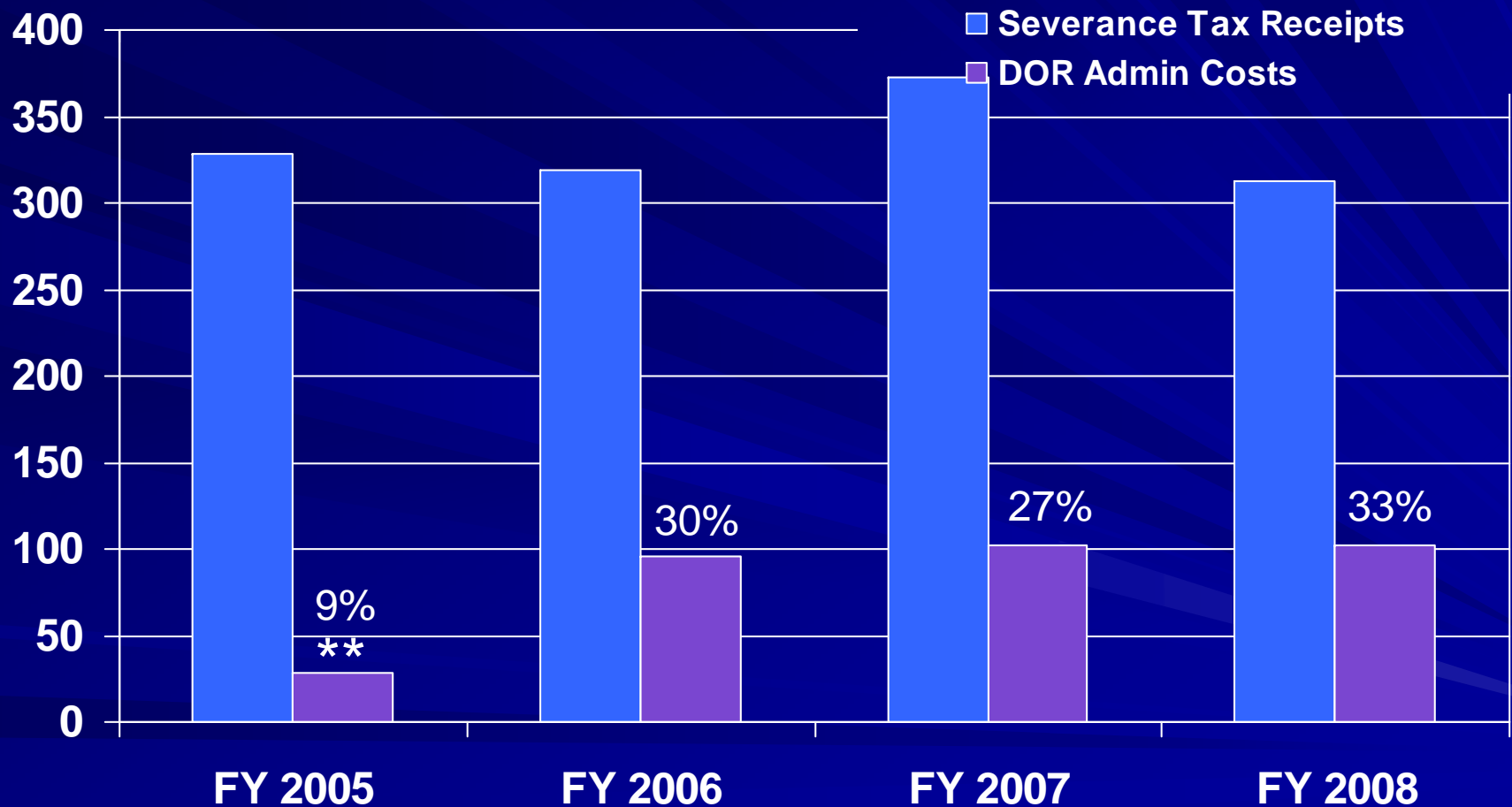
2009: \$4.48 / MBF Western Oregon
\$3.50 / MBF Eastern Oregon



Small Tract Forestland Issue

- In 2003 DOR was scheduled to report to 2009 Legislature
 - Is tax rate the right one?
- Program was predicted to have high administrative costs
- Report showed **30%** administrative costs for Department of Revenue
 - Counties also have significant costs

STF Program – Severance Tax Receipts and Administrative Costs* (thousand \$)



*Department of Revenue costs only

** Partial year

Legislature Response

- SB 886
 - Self-certification of eligibility for STF program
 - DOR not to send pre-printed return form to taxpayer
- Hearing testimony
 - Bill would not decrease costs
 - Recommended a study to reduce costs
 - Same participants that created the program
 - Report in 2 years
- No action to date

2009 Legislative Issue:
Hybrid Poplar

■ HB 2646 Lengthens rotation for hybrid poplar from 12 years to 20

– Current law – for over age 12

■ Assessor:

- Disqualify as Farm special assessment
- Move to Real Market Value
- Calculate back taxes up to 10 years
- If submitted, process application for Forestland special assessment

■ Landowner when disqualified:

- Pay back taxes & personal property taxes on improvements (irrigation)
- Or apply for Forestland special assessment

■ HB 2646 Lengthens rotation for hybrid poplar from 12 years to 20 (cont)

– Proposed – for over age 12 and under 20

■ Allow to remain in Farm special assessment

■ Allow H.P. land to apply for Forestland special assessment regardless of stand age

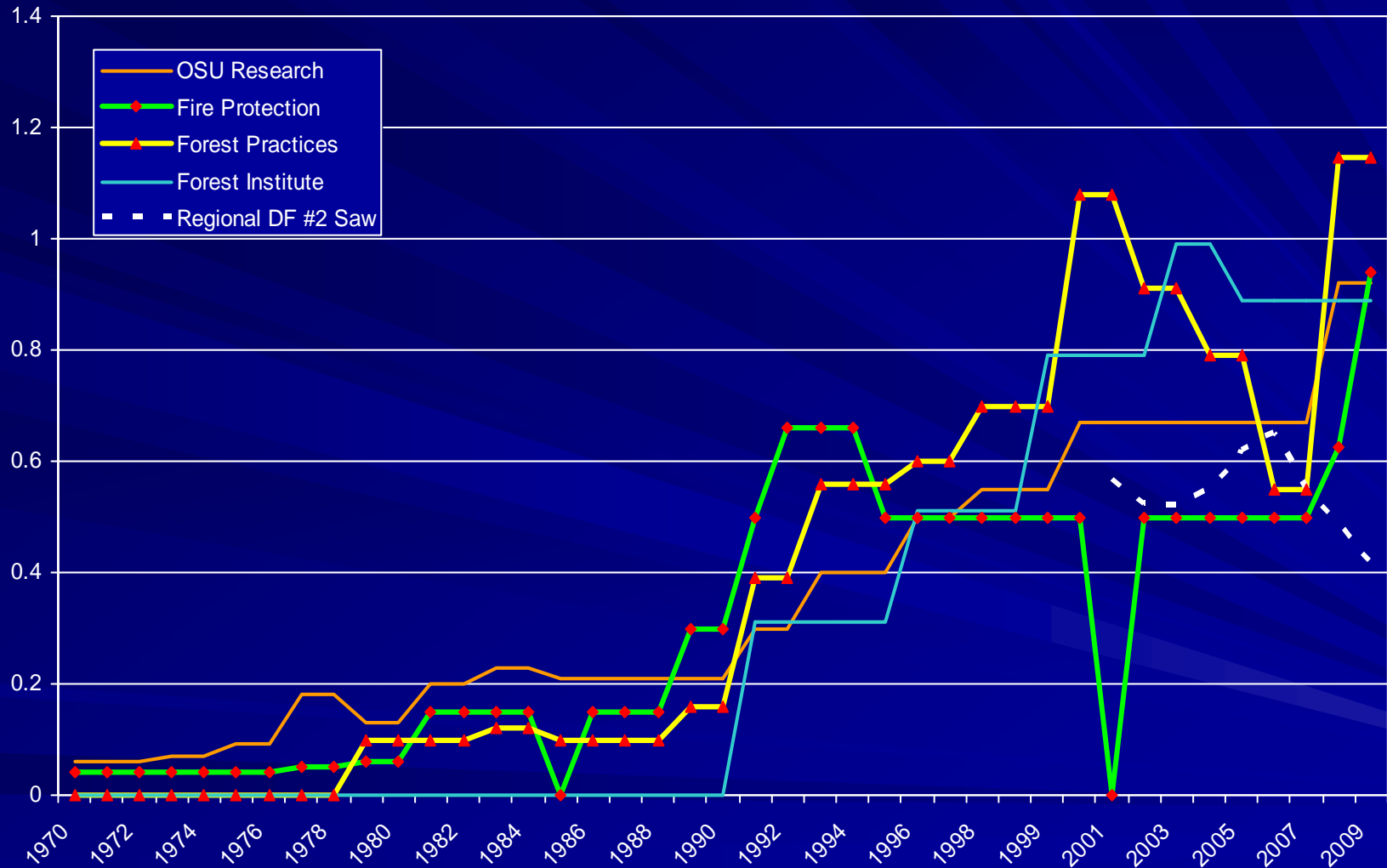
– Effect of Bill: Eliminate additional cost incurred by county assessor under current law

■ Tabled for “constitutional issue”

A photograph of a forest with tall pine trees and a blue sky. The text "The End" is overlaid in orange. The image is framed by a blue border with diagonal lines at the top and bottom.

The End

Forest Products Harvest Tax Rates



Oregon 2009

Choice of forestland property tax system

- Forestland Program (92% of acres)
 - Annual Property Tax Rate – 1.0%
 - 2 Acre minimum requirement
 - Valued by productivity classes (9)
 - Market-based valuation
- Small Tract Forestland Option (8% of acres)
 - Need to apply for the program
 - Open to acreages between 10 and 4999 acres
 - Reduced valuation (80% reduction)
 - Pay severance tax at time of harvest
 - \$4.48 per thousand board feet in Western Oregon
 - \$3.50 per thousand board feet in Eastern Oregon

Oregon 2009 (cont)

Harvest Tax

- Forest Products Harvest Tax
 - Everyone pays
 - \$3.8956 per MBF harvested
 - First 25 thousand board feet are exempt

Washington (cont)

■ Business & Occupation Tax

- About 0.5% of gross receipts from log sales (2005)

■ Real Estate Excise Tax

- Owed when standing timber is sold
- 1.28% to 1.78% depending on county

■ Special Programs

- Salmon Credit –reduced excise tax to 4.2% on timber affected by revised aquatic enhancement rules
- Open Space
 - Forest or Timberland designation for smaller acreages

Washington 2009

■ Forestland

- Annual property tax – 1.35% Rate (2008)
- 20 Acre Minimum Requirement
- Indexed property valuation
- Valued by productivity & operability
 - 29 classes

-and-

■ Forest Excise Tax

- 5% on stumpage value at harvest

Idaho 2009

Choice of forestland property tax system

- Productivity Tax System (75% of acres)
 - Annual Tax On Property – 1.0%
 - 5 Acre Minimum
 - Income Approach To Valuation
 - Valued by productivity classes (3) in zones (4)
 - No “harvest” tax

-OR-

Idaho (cont)

■ Bare Land and Yield Tax System (25%)

- Annual property tax on reduced property value (about 40% of Productivity Option values) - 1%
 - Same classes as under Productivity Option
 - Indexed valuation method on properties
- Yield tax on stumpage value of harvested timber
 - 3% Tax Rate
- Available for tracts between 5 and 5000 acres

Comparing Harvest Taxation Among the Western States



Comparing Forestland Valuation and Taxation Among the Western States



Total Harvest And Forestland Tax Impact



Applying For Forestland Designation



Forest Practice Regulations; Riparian Zones



State Timber Tax Programs (cont)

Dual Taxation

■ Forest Property Tax

- Tax rates on property
- Property valuation or assessment
 - Productivity Classes
- Influenced by zoning
- Influenced by tax limitation measures

■ Harvest Taxes

- Called
 - “Severance Tax”
 - “Excise Tax”
 - “Yield Tax”
- Timber Valuation
- Adjustments to Timber Valuation

2009 Legislative Issue: Fire Protection Funding

- **HB 3267** – Fires patrol assessment reduced from 50% to 40% for private land owners
- **HB 2215** – Extend \$15 million annual expenditure limitation in Oregon Forest Land Protection Fund
- **HB 3281** – Change \$15 million limitation to
 - 50% of suppression &
 - 50% insurance premium