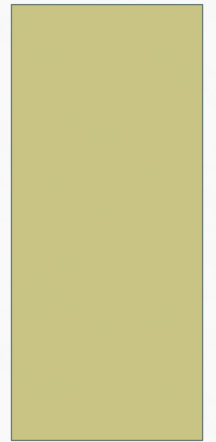


# FOREST REVENUES IN OREGON

A HISTORY



# TAX STRUCTURE HISTORY

- 1990 Structure
  - Standing timber exempt from property tax (Severance tax was intended to replace it)
  - Land valued per acre according to values adopted by the Oregon Supreme Court and indexed forward according to changes in stumpage value.
  - Severance tax of 6.5% of harvest value in the west and 5% of harvest value in the east
  - Small tract land was taxed on productivity value and exempt from the severance tax

# PHILOSOPHY OF FOREST TAXATION

- 2 Distinct Phases
  - Pre-1990 – Severance Tax on timber harvest replaced property tax on standing trees. Akin to “mining” where resources are taxed at the point of extraction. Forest resources were more abundant with ample old growth that did not require investment to be put there.
  - 1993 – With nearly all of the old-growth gone on both private forest lands and federal lands, forestry began to more closely resemble “farming.” Industry had to actively replant in order to have more production. Property tax on standing trees (and its proxy, severance tax at the time of harvest) was removed. Severance tax was also phased out) At this point, there is no severance tax or property tax on standing agricultural crops or forest land

# TAX STRUCTURE HISTORY

- *A tax by any other name...*

In 1990, Measure 5 phased in limitations on tax rates imposed on property. The AG opined that the severance taxes were taxes on property and subject to the limits imposed by Measure 5. HB 2550 redefined the severance taxes as "privilege taxes" but reduced the privilege (severance) tax rates through 1993. The rate for 1991-92 was 5.85%, reducing revenues by \$5.4 million and the 1992-93 rate of 5.30% reduced revenues by \$9.8 million. The 1993-94 rate was 4.70%.

It was calculated, at the time, that these reduced rates had **less** revenue loss associated with them than if the severance taxes had been reduced to comply with Measure 5.

An interim study was commissioned to advise the 1993 Legislature on this matter.

# TAX STRUCTURE HISTORY

- The 1993 Legislature
  - At this point the Legislature revised tax policy to exempt 80 percent of the value of the land from property tax. This would begin in 1995-96.
  - To recoup this amount, they retained privilege taxes at reduced rates.
  - Where the values per acre for forest land had previously been set by the Supreme Court, HB 2438 set them in statute beginning in the 1995-96 tax year. The bill also required DOR to evaluate these values and report to the 1995 Legislature. Also, the department was directed to review forest land values every 6 years. HB 2438 also changed indexing to 50% of the increase in the log purchase value index.

# TAX STRUCTURE HISTORY

- The 1993 Legislature Continued
  - This 1993 phase down of privilege taxes had the following revenue impacts (\$Millions):

	Property Tax	Privilege Tax	Total
1993-95	\$0	\$0	\$0
1995-97	\$26.6	\$12.6 (1995 WOR 3.8%, then WOR rate 3.2% thereafter)	\$39.2
1997-99	\$39.0	\$17.1 (WOR 3.2%)	\$56.1

# TAX STRUCTURE HISTORY

- The 1999 Legislature phased out privilege taxes and phased in a new 100% ad valorem tax system over a three year period. Land would be taxed at 75% of its value over the three year period from 2001 to 2003.
- Small landowners (<5,000 ac) had the option to participate in the new program, dubbed the "Oregon Forest Land Program (OFLP)", or stay with the 1997 taxation arrangement (taxation according to productivity values).
- By 2003-2004, valuation was slated to increase to 100 percent of the smaller of the specially assessed value or the maximum assessed value.
- In anticipation of a large number of value appeals in response to this change, the Legislature required interim studies to value highest and best use forestland.

# TAX STRUCTURE HISTORY

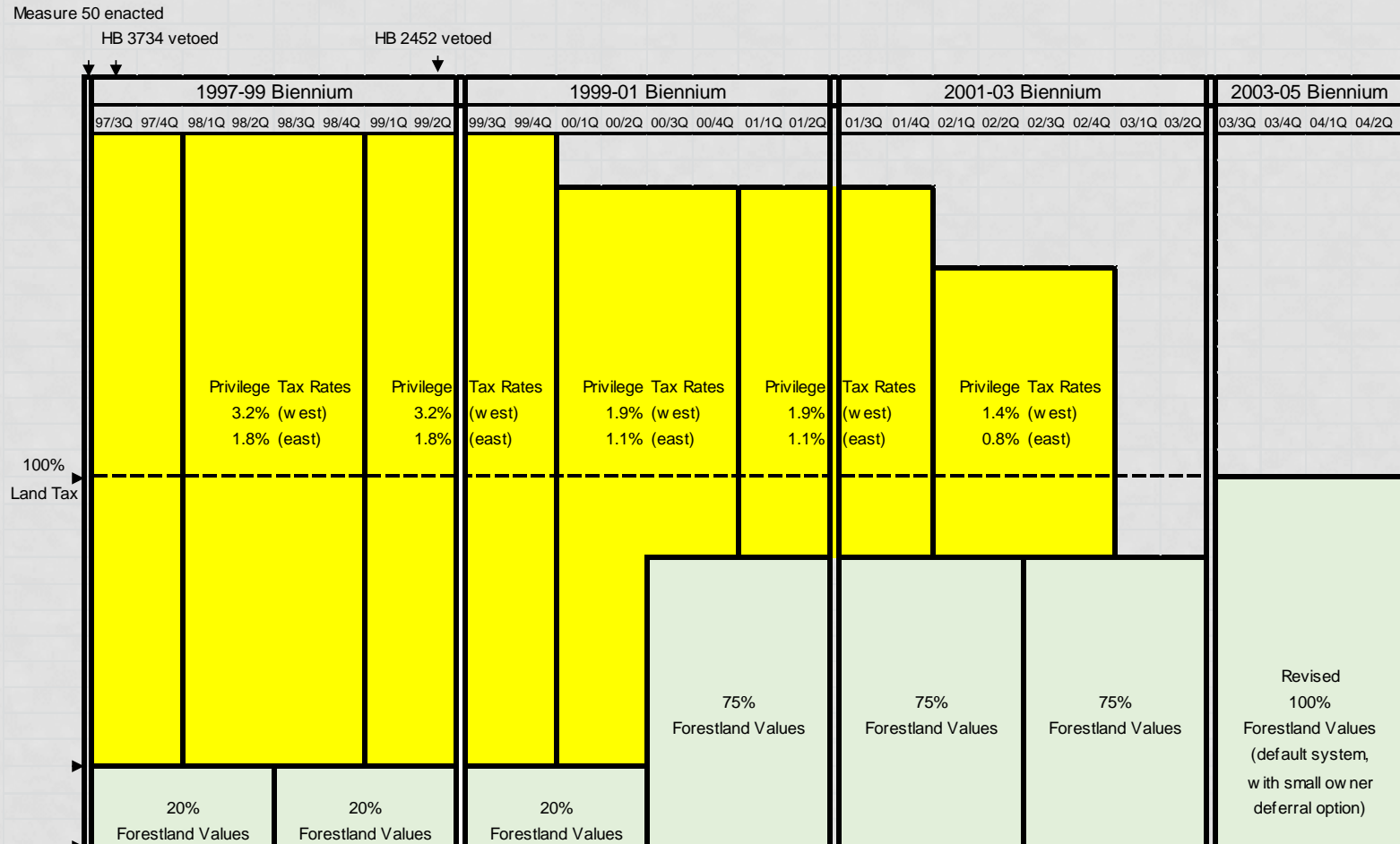
- In 2001, the Legislature was advised by an interim study group charged with developing an alternative method of taxation for forestlands in small ownerships. The group had not arrived at a consensus.
- The 2001 Legislature passed HB 2162, which taxed all forestland under the OFLP beginning in 2003-04. It also eliminated privilege taxes as of Jan. 1, 2003.
- The 2001 Legislature also passed HB 3537, which directed the DOR to adopt specially assessed values for forest land. Valuation by DOR continues to the present time.
- The 2003 Legislature passed HB 2197, which gave small landowners (<5,000 ac) the opportunity to opt out of the OFLP and to participate in the Small Tract Forestland program. They defer 80% of their property taxes annually, instead paying a severance tax levied when timber is harvested. Rates were \$5.18 per mbf for Western Oregon in 2014. The rates are designed to recover the 80% of property tax that would have been paid if they were in OFLP.



# TAX STRUCTURE HISTORY

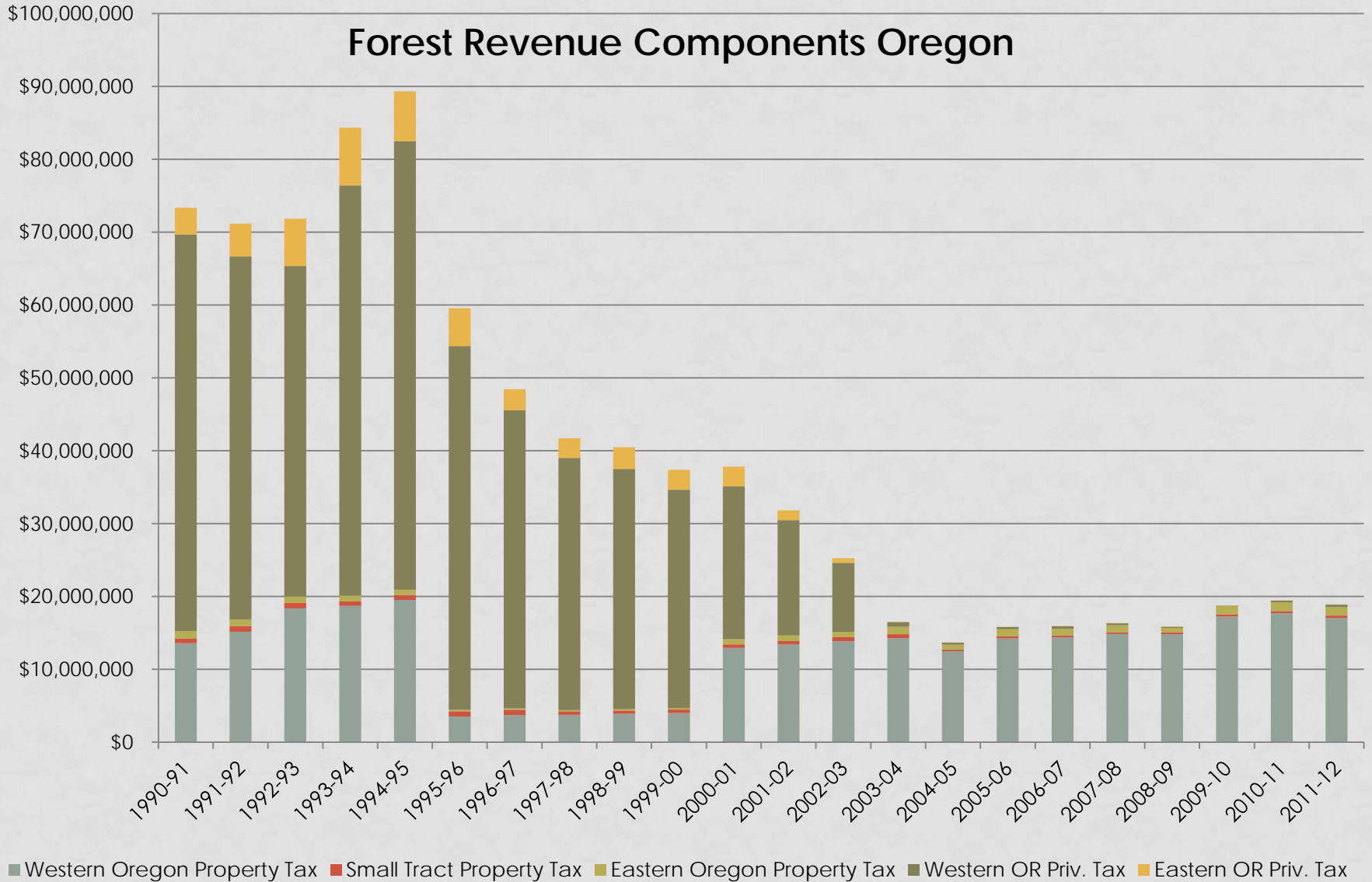
Maximum Assessed Value of Forestland (Value per Acre)			
Site Class	1999 Law	2001 Law	2014-15 Values
Western Oregon			
FA	\$840	\$450	\$623
FB	\$723	\$357	\$494
FC	\$462	\$299	\$414
FD	\$349	\$254	\$352
FE	\$200	\$169	\$234
FE	\$49	\$122	\$169
FG	\$8	\$51	\$71
FX	\$1	\$6	\$8
Eastern Oregon	\$56	\$51	\$71

# A DIFFERENT VIEW OF THE CHANGES



Graphic Courtesy of Linc Cannon

# Forest Revenue Components Oregon



# Oregon Timber Harvest Million Board Feet

