



Overview of Oregon Forest Taxes

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House Natural Resources Committee

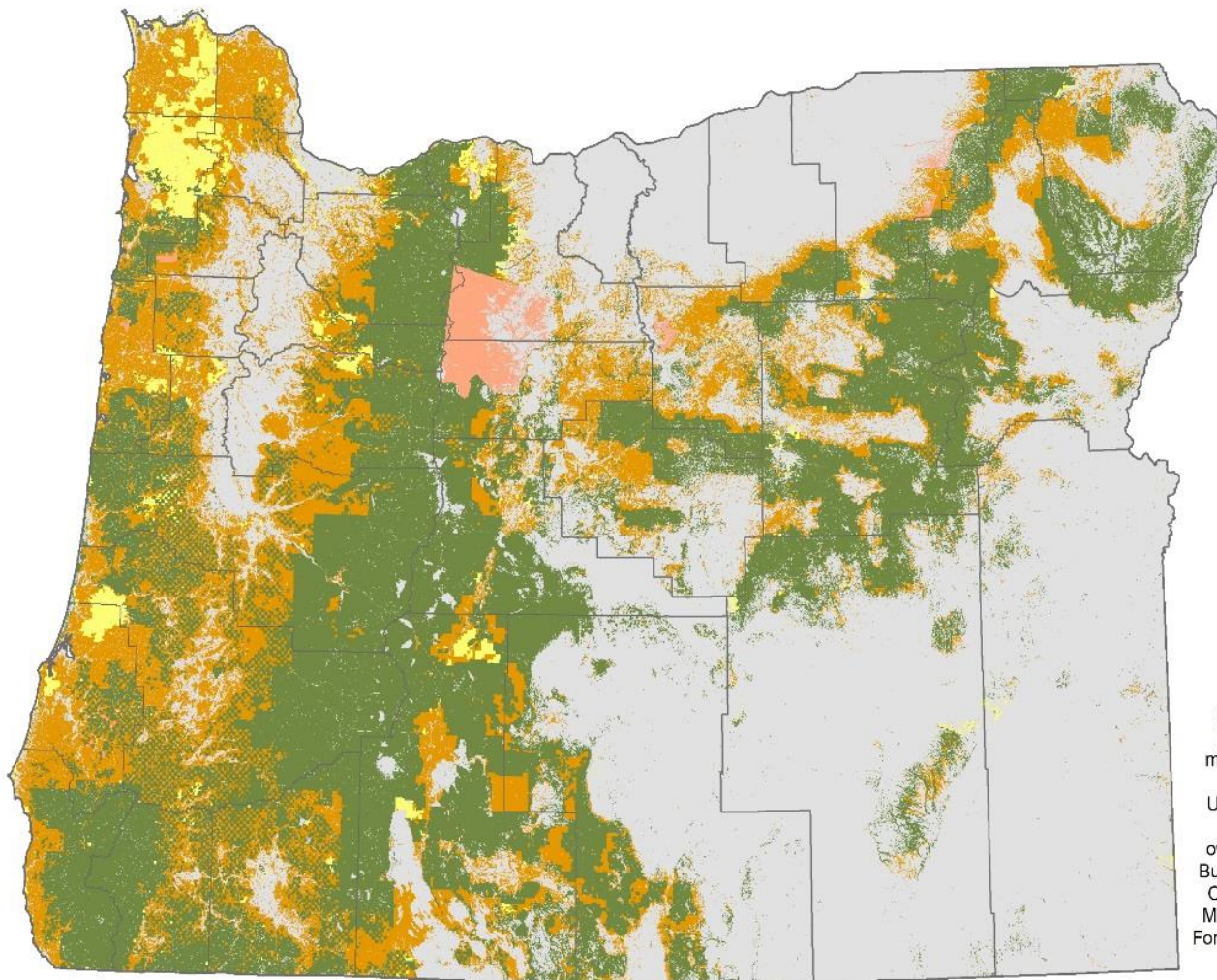
Oregon Forest Ownership



Owner

- Federal Government
- State or Local Government
- Native
- Private
- Nonforested Land
- County Boundaries

Forested area from Gradient Nearest Neighbor (GNN) structure maps (30 meter resolution), produced by LEMMA Team, Oregon State University and USDA Forest Service Pacific Northwest Research Station (2012). Land ownership/management polygons from Bureau of Land Management, revised by Oregon Department of Forestry (2015). Map produced by Oregon Department of Forestry, Partnership & Planning Program, March 2019.





Oregon Forest Sector

Economic contributions of forestry in Oregon*

- \$18 billion in output
- Supports 71,000 jobs
 - ~4% of state employment
- Over \$8 billion in state gross domestic product
 - 3.7% of state GDP

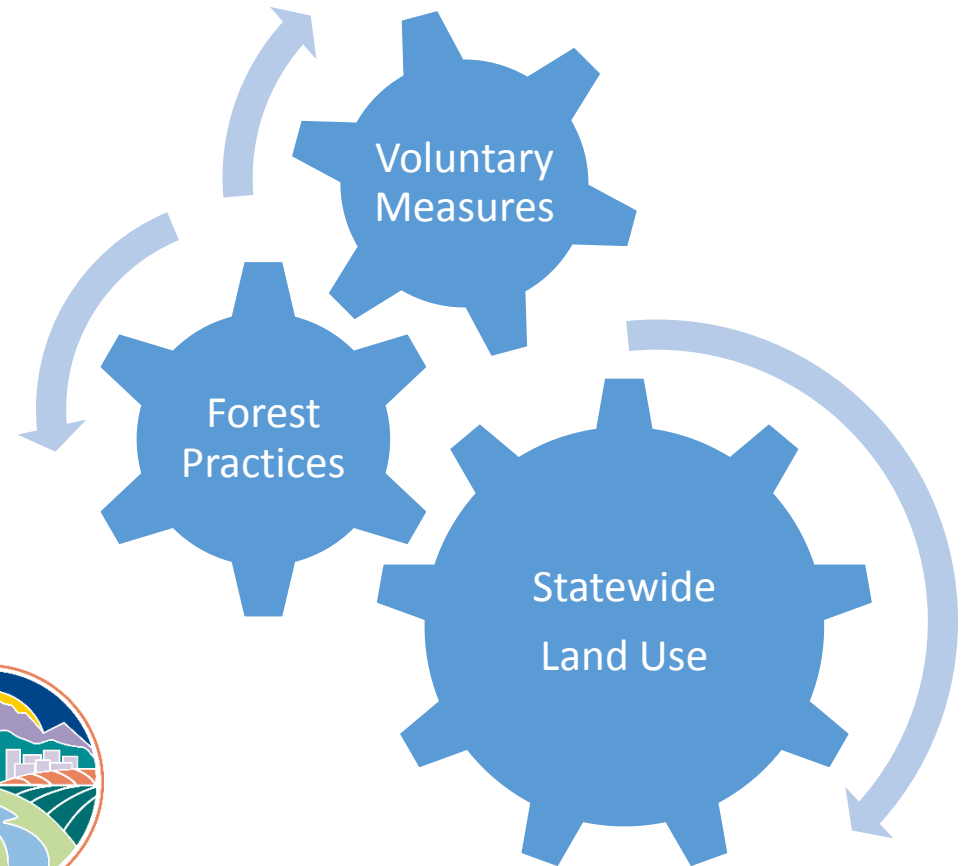




Framework for Working Forests

ORS 527.630

“...ensure the continuous growing and harvesting of forest tree species and the maintenance of forestland for such purposes as the leading use on privately owned land...”





Forestland and Timber Tax

- 1977 – standing timber exempt from property tax
 - **ORS 321.272 [and 321.829]**
 - All timber in western [eastern] Oregon shall be exempt from ad valorem property taxation.
- Forestland owners responsible for:
 - Property tax – annually, paid to the county
 - Severance tax – at harvest, paid to the county
 - Harvest tax – at harvest, paid to the state



Measure 5 (1990)

- Following Measure 5, property tax on forestland (along with all other property) began decreasing, while severance taxes remained.
- Attorney General decision:
 - Severance taxes are taxes on property
 - Therefore, would decrease at same Measure 5 rate
 - Resulted in significantly less revenue to local districts





Forestland and Timber Tax

HB 2250 (1991)

- Redefined severance taxes as privilege taxes
- Resulted in less loss in revenue

HB 3575 (1999)

- Phased out privilege tax and created new system for property tax in response to Measure 50
- Directed Dept of Revenue to create work groups to:
 - Asses Highest and Best Use (HBU) forestlands
 - Recommend small tract, tax-deferral optional program



Forestland and Timber Tax

HB 3537 (2001)

- Legislation and assessments informed by the 1999 study group
- Directed adoption of specially assessed rates
- Allowed for taxation of forestland same as agricultural lands

HB 2197 (2003)

- Created the Small Tract Forestland (STF) Program and special assessments



Special Assessments



- Designed to keep forestland as forestland

“Most property in Oregon is valued and taxed based on real market value (RMV) – the price for which land would sell on the open market. As urban areas encroach on lands capable of growing valuable timber, the value of that timberland increases. This raises property taxes on the timberland, making it more expensive to hold while the timber is growing.

*Recognizing this, the Oregon Legislature has established several special assessment programs that reduce taxes for forestland owners who manage their property **for the primary purpose of growing and harvest timber.**” – ODR 150-441-649*



Current Assessment Categories

Highest Best Use (HBU)

- Lands identified by counties as being most appropriate for forest use.

Designated Forestland

- Lands often closer to developed regions, taxed in the same fashion as HBUs.

Small Tract Forestland

- Land owners with acreage ranging between 10 and 5,000 acres, defer 80% of property taxes. In exchange a severance and harvest tax are paid when timber is harvested.

Assessment Category	Eastern OR	Western OR	TOTAL
HBU	342,183	2,978,509	3,320,692
Designated	1,451,464	2,533,182	3,984,646
Small Tract	167,702	489,103	656,805
TOTAL:			7,962,143

Courtesy of Matt Frison, ODR Property Tax Division



Summary Points

- Oregon Forests provide distinct ecological, social, and economic benefits that accrue to all Oregonians
- Retaining forests and maintaining continuity supports the interminable provision of these benefits
- Special Assessments and the Small Tract Forestland help retain forestland
- Special Assessments and the Small Tract Forestland program are the result of a long and successful collaborative process between lawmakers, stakeholders, and landowners.