

**SB 1502 A STAFF MEASURE SUMMARY****Carrier:** Sen. Armitage**Senate Committee On Finance and Revenue****Action Date:** 02/23/22**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 5-0-0-0**Yeas:** 5 - Armitage, Beyer, Boquist, Findley, Sollman**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Kyle Easton, Economist**Meeting Dates:** 2/16, 2/23**WHAT THE MEASURE DOES:**

Creates personal income, corporate income or excise, and estate tax credit for small forestland owner that elects to harvest timber under restrictions applicable to large forestland owner. Establishes eligibility criteria for the tax credit. Requires small forestland owner to receive written certification of eligibility from Department of Forestry prior to claiming credit and establishes process for obtaining certification. Requires small forestland owner to abide by standard practice harvest restrictions for the forest conservation area for 50 years. Specifies amount of tax credit as the sum of the certified stumpage value of the specified standing timber in the forest conservation area not harvested as a result of using the standard practice harvest restrictions, the cost to the small forestland owner of establishing the stumpage value, and if applicable, one-half of certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area. Identifies circumstances and process of revocation of tax credit. Specifies credit applicability to tax years beginning on or after January 1, 2023. Allows taxpayers who have previously received certification to be allowed to continue to claim the credit if the Legislative Assembly repeals the tax credit or allows it to expire.

**ISSUES DISCUSSED:**

- Tax credit sunsets
- Standard tax credit review process and reporting
- Joint Committee on Tax Expenditures, approach to tax credits during odd-year legislative sessions
- Potential revenue impact
- Amendment expected
- Concerns of small forestland owners regarding the larger timber harvest agreement and Oregon Private Forest Accord
- Other potential relief for small forestland owners affected by timber harvest agreement
- Proposed small forestland office in related legislation
- Contents of amendment
- Definition of "common ownership".

**EFFECT OF AMENDMENT:**

Makes technical modifications. Specifies tax credit may not be transferred to a successor forestland owner. Modifies amount of credit to include one-half of the stumpage value for defined no-harvest buffer area required on a dry channel. Defines "dry channel area". Modifies use of credit upon death of taxpayer and potential use by heirs.

**BACKGROUND:**

The Oregon Forest Practices Act (FPA) was first enacted by the legislature in 1971. The FPA establishes standards for all commercial activities involving the establishment, management, or harvesting of trees on Oregon's forestland, including building and maintaining roads, harvesting, applying pesticides, and replacing harvested

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trees.

Senate Bill 1602 (2020 First Special Session) directed the Governor to facilitate mediation sessions between the forest industry and environmental interests on changes to the Oregon FPA in accordance with a Memorandum of Understanding announced by the Governor on February 10, 2020. The purpose of the mediation sessions was to recommend substantive and procedural changes to Oregon FPA laws and regulations to advance the attainment of federal regulatory assurances for aquatic and riparian-dependent species. Senate Bill 5711 (2020 First Special Session) appropriated funds to pay the costs of contracted services for this mediation. On October 31, 2021, the Governor announced that the parties had reached an agreement.

Measure creates a tax credit available to a small forestland owner who elects to harvest timber in a riparian area and who also abides by the standard practice 50 year harvest restrictions for a riparian area that is adjacent to the harvested area. The harvest restriction area must be equal to or smaller in size to the adjacent harvested area. Value of the credit is equal to the sum of the certified stumpage value of the specified standing timber not harvested in the conservation area, the cost of establishing the stumpage value, and if applicable, one-half of certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area. Credit is applicable to the personal income tax, corporate income or excise tax, or the estate tax. Unused credit amounts may be carried forward indefinitely to future tax years. Credit is available beginning with tax year 2023 and has no sunset date.