

Requested by Senator COURTNEY

**PROPOSED AMENDMENTS TO  
SENATE BILL 1502**

1 On page 1 of the printed bill, delete lines 5 through 28.

2 Delete pages 2 through 6 and insert:

3 **“SECTION 1. Sections 2 to 6 of this 2022 Act are added to and made**  
4 **a part of ORS chapter 315.**

5 **“SECTION 2. (1) As used in sections 2 to 6 of this 2022 Act:**

6 **“(a) ‘Common ownership’ means direct ownership by one or more**  
7 **individuals or ownership by a corporation, partnership, association or**  
8 **other entity in which an individual owns a significant interest.**

9 **“(b) ‘Forest conservation area’ means a riparian forestland area**  
10 **that is not harvested, that is adjacent to a harvested riparian area and**  
11 **that is the excess riparian area allowed for harvest under the small**  
12 **forest owner minimum option beyond that allowed under the standard**  
13 **practice harvest restrictions.**

14 **“(c) ‘Forestland’ has the meaning given that term in ORS 527.620.**

15 **“(d) ‘Professional forester’ means a person that is engaged in the**  
16 **business of appraising or valuing timber or forestland as described in**  
17 **ORS 674.100.**

18 **“(e) ‘Small forestland owner’ means a person that owns or holds**  
19 **common ownership in fewer than 5,000 acres of forestland.**

20 **“(f) ‘Small forest owner minimum option’ means the option to**  
21 **harvest timber allowed to a small forestland owner under rules**

1 adopted under the Oregon Forest Practices Act.

2 “(g) ‘Standard practice harvest restrictions’ means the harvest re-  
3 strictions applicable to large forestland owners under the Oregon  
4 Forest Practices Act.

5 “(h) ‘Stumpage value’ means the value of standing timber based on  
6 the value that would be received for the timber if harvested and de-  
7 livered to a mill, minus the cost of harvest and delivery to the mill.

8 “(i) ‘Timber harvest’ means a harvest type 1, harvest type 2 or  
9 harvest type 3, as those terms are defined in ORS 527.620.

10 “(2) A credit against taxes that are otherwise due under ORS  
11 chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317  
12 or 318 is allowed to a taxpayer that is a small forestland owner that  
13 is eligible to conduct a timber harvest using a small forest owner  
14 minimum option and elects to use standard practice harvest re-  
15 strictions instead. The credit shall be allowed for the tax year in which  
16 the timber harvest is completed. A credit under this section may not  
17 be transferred to a successor forestland owner.

18 “(3) In order to be eligible for a credit under this section, a small  
19 forestland owner must:

20 “(a) Have harvested not more than two million board feet of  
21 merchantable forest products from forestland in this state owned by  
22 the small forestland owner, as averaged over the three years imme-  
23 diately preceding the date of filing a notification of operation as de-  
24 scribed in section 3 of this 2022 Act;

25 “(b) Conduct a timber harvest in an area that is:

26 “(A) Adjacent to a riparian area subject to the Oregon Forest  
27 Practices Act; and

28 “(B) Equal in size to or larger than the forest conservation area for  
29 which the small forestland owner claims the credit; and

30 “(c) Abide by the standard practice harvest restrictions, which shall

1 remain in effect for the forest conservation area for which the small  
2 forestland owner claims the credit for 50 years beginning with the date  
3 on which the certification is issued under section 3 of this 2022 Act.

4 “(4) The amount of the credit allowed under this section shall be  
5 based on the stumpage value of timber within the forest conservation  
6 area, and, if applicable, of the no-harvest area described in section 4  
7 (3) of this 2022 Act, and shall be calculated as provided in section 4 of  
8 this 2022 Act.

9 “(5) Prior to claiming the credit allowed under this section, a small  
10 forestland owner is required to receive written certification of eligi-  
11 bility from the State Forestry Department, as provided in section 3 of  
12 this 2022 Act.

13 “(6) Upon the death of a small forestland owner that holds a certi-  
14 fication under section 3 of this 2022 Act, and to the extent that any  
15 amount of credit remains, the credit allowed under this section:

16 “(a) May be used by the executor of the small forestland owner’s  
17 estate:

18 “(A) As a credit against taxes imposed under ORS chapter 316, 317  
19 or 318; and

20 “(B) As provided in section 9 of this 2022 Act, as a credit against  
21 estate tax imposed under ORS chapter 118 on the estate of the small  
22 forestland owner; and

23 “(b) May be used, to the extent remaining after application of par-  
24 agraph (a) of this subsection, by the heirs or devisees of the small  
25 forestland owner as a credit against the taxes imposed under ORS  
26 chapter 316, 317 or 318.

27 “(7) The credit allowed under this section may not exceed the tax  
28 liability of the taxpayer for the tax year.

29 “(8) A forest conservation area for which a credit is allowed under  
30 this section:

1       “(a) May not be disqualified from eligibility for special assessment  
2 as forestland under ORS 321.257 to 321.390 or 321.805 to 321.855 or from  
3 qualification for small tract forestland assessment under 321.700 to  
4 321.754 solely due to the use of the credit allowed under this section.

5       “(b) Shall remain eligible for the deferral allowed under ORS  
6 308A.119, if otherwise eligible.

7       “(c) Shall be classified as described in ORS 321.210 as land class FX.

8       “(9) Any tax credit otherwise allowable under this section that is  
9 not used by the taxpayer in a particular tax year may be carried for-  
10 ward and offset against the taxpayer’s tax liability in any succeeding  
11 tax year thereafter, and may be carried forward to nonconsecutive tax  
12 years.

13       “(10) A nonresident shall be allowed the credit under this section.  
14 The credit shall be computed in the same manner and be subject to  
15 the same limitations as the credit granted to a resident.

16       “(11) The State Forestry Department, after consultation with the  
17 Department of Revenue, shall adopt rules for the purposes of sections  
18 2 to 6 of this 2022 Act, including policies and procedures for certifying  
19 taxpayers as eligible for the credit allowed under this section as re-  
20 quired in section 3 of this 2022 Act.

21       “(12) The Department of Revenue shall adopt rules for the purposes  
22 of sections 2 to 6 of this 2022 Act.

23       “SECTION 3. (1) In order to obtain certification of eligibility from  
24 the State Forestry Department for a tax credit allowed under section  
25 2 of this 2022 Act, a small forestland owner must:

26       “(a) File, as provided in ORS 527.670, a notification of operation with  
27 the State Forester for an operating area that includes the forest con-  
28 servation area for which the small forestland owner seeks a credit  
29 under section 2 of this 2022 Act;

30       “(b) Indicate in the notification of operation that the small

1 forestland owner intends to use the standard practice harvest re-  
2 strictions in lieu of the small forest owner minimum option;

3 “(c) Submit to the department an application for certification under  
4 this section; and

5 “(d) Provide documentation of stumpage values and costs of ap-  
6 praisal to the department after filing the notification of operation and  
7 within three months after the timber harvest has been completed.

8 “(2) The State Forestry Department shall timely provide written  
9 certification to taxpayers that are eligible to claim the credit under  
10 section 2 of this 2022 Act.

11 “(3) A small forestland owner that receives certification under this  
12 section must:

13 “(a) Sign and record in the deed records for the county where the  
14 eligible forest conservation area is located an irrevocable deed re-  
15 striction prohibiting the owner and the owner’s successors in interest  
16 from conducting a harvest or otherwise removing trees within the  
17 forest conservation area for which a credit has been claimed. The deed  
18 restriction shall allow for incidental tree removal and for tree removal  
19 for public safety purposes. The deed restriction shall specify the  
20 amount of the credit and the expiration date of the harvest restriction  
21 on the forest conservation area. The State Forestry Department shall  
22 provide the small forestland owner with appropriate documentation for  
23 this purpose.

24 “(b) Maintain the written documentation of the amount certified  
25 for tax credit under this section, and the amount of credit claimed, in  
26 its records as long as any tax return remains open for years in which  
27 the credit has been claimed, and provide the written documentation  
28 to the Department of Revenue upon request.

29 “(c) Provide documentation of all costs claimed as part of the  
30 credit, including costs of appraisal and costs to file and record the deed

1 restriction required under this section.

2 “(d) Notify any immediate successor owner of the forest conserva-  
3 tion area of the terms of the credit and the potential obligation of  
4 successor owners to repay the amount of credit allowed upon violation  
5 of the applicable harvest restrictions as described in section 5 of this  
6 2022 Act.

7 “(4) The State Forestry Department shall:

8 “(a) Maintain in the department reporting and notice system oper-  
9 ated under ORS 527.786 to 527.793 records of harvest restrictions ap-  
10 plicable to certifications issued under this section.

11 “(b) Provide information to the Department of Revenue about all  
12 certifications issued under this section, if required by the Department  
13 of Revenue under ORS 315.058.

14 “SECTION 4. (1) The amount of the tax credit allowed under section  
15 2 of this 2022 Act shall be the sum of:

16 “(a) The certified stumpage value of standing timber in the forest  
17 conservation area not harvested as a result of using the standard  
18 practice harvest restrictions in lieu of the small forest owner mini-  
19 mum option, using the standard measuring techniques of professional  
20 foresters;

21 “(b) The cost to the small forestland owner of establishing the  
22 stumpage value, including the cost of appraisal performed by a pro-  
23 fessional forester, and of filing and recording a deed restriction as  
24 described in section 3 (3) of this 2022 Act; and

25 “(c) If applicable, the certified stumpage value of remaining timber  
26 in a no-harvest buffer on a dry channel, as described in subsection (3)  
27 of this section.

28 “(2) If the small forestland owner is barred from using the small  
29 forest owner minimum option by the horizontal lineal feet limitation  
30 applicable to fifth field watersheds, the certified stumpage value de-

1 scribed in subsection (1)(a) of this section shall be multiplied by 125  
2 percent.

3 “(3) If forestland owned by a small forestland owner that claims a  
4 credit under this section includes an adjacent area of no-harvest buffer  
5 required on a dry channel of a small nonfish perennial stream, the  
6 small forestland owner may include in the credit amount one-half of  
7 the stumpage value of the mandatory retained timber within the area  
8 between the inside edge of the small forest owner minimum option and  
9 the edge of the dry stream channel.

10 “(4) The applicable stumpage values under this section shall be the  
11 values as of the date of filing a notification of operation under ORS  
12 527.670, as described in section 3 (1)(a) of this 2022 Act, and shall be  
13 calculated using one of the following methods:

14 “(a) The conversion return method, in which the volume of timber  
15 being retained is determined by species and log grades, and a value is  
16 established from current delivered log price information, less a rea-  
17 sonable cost for harvest and delivery, for the area in which the re-  
18 tained timber would ordinarily be sold.

19 “(b) The actual comparison method, which may be used if the tim-  
20 ber being retained is similar in species and log grades to the timber  
21 being harvested, and which is calculated using actual revenues from  
22 the timber being harvested by the small forestland owner in the har-  
23 vest area adjacent to the forest conservation area.

24 “(c) The cash flow modeling method, in which the value of standing  
25 timber is determined by using the projected volume of the stand over  
26 a harvest rotation based on species and site class, determining the  
27 value at harvest age and then discounting the value to the present  
28 date using an interest rate equal to the direct farm ownership loan  
29 interest rate of the Farm Service Agency of the United States De-  
30 partment of Agriculture.

1       “(5) Costs, including the cost of an appraisal and the cost of filing  
2 and recording a deed restriction, may be included in the credit amount  
3 only to the extent that the amount attributable to those costs is not  
4 claimed as an income tax deduction by the taxpayer.

5       “SECTION 5. (1) If a small forestland owner, or the owner’s estate,  
6 heirs or devisees, elects to conduct a timber harvest within a forest  
7 conservation area for which a tax credit has been allowed under sec-  
8 tion 2 of this 2022 Act and for which a harvest restriction has been  
9 recorded or otherwise elects to remove the harvest restriction, the  
10 certification of the credit shall be revoked and the Department of  
11 Revenue may proceed to collect any amounts not paid as a result of  
12 the credit, as provided in ORS 315.061.

13       “(2)(a) If the timber harvest or the removal of a harvest restriction  
14 that results in revocation is conducted by an owner other than the  
15 small forestland owner that originally received certification for the  
16 credit under section 3 of this 2022 Act, that successor owner shall be  
17 liable for the entire amount certified for credit under section 3 of this  
18 2022 Act. Interest shall be charged at the rate established in ORS  
19 305.220 from the date of transfer of the title to the successor owner.

20       “(b) A revocation under this subsection does not impair the right  
21 of a prior owner to claim the credit.

22       “(3) After repayment is complete, the small forestland owner shall  
23 notify the State Forestry Department of the repayment and the de-  
24 partment shall remove the record of the harvest restriction from the  
25 department reporting and notice system operated under ORS 527.786  
26 to 527.793. The small forestland owner shall cause the deed restriction  
27 to be removed from the county deed records. The department shall  
28 provide the small forestland owner with appropriate documentation for  
29 this purpose.

30       “(4) The small forestland owner that conducts the timber harvest



1 shall be responsible for any penalties imposed for violations of the  
2 Oregon Forest Practices Act arising from the harvest.

3 **“SECTION 6.** If the credit allowed under section 2 of this 2022 Act  
4 is repealed, or is allowed by the Legislative Assembly to expire, tax-  
5 payers that have previously received certification shall be allowed to  
6 continue to claim the credit. Any deed restrictions associated with the  
7 credit shall be retained.

8 **“SECTION 7.** Notwithstanding ORS 315.037, section 2 of this 2022  
9 Act applies to all tax years beginning on or after January 1, 2023.

10 **“SECTION 8.** Section 9 of this 2022 Act is added to and made a part  
11 of ORS chapter 118.

12 **“SECTION 9.** (1) The definitions in section 2 of this 2022 Act apply  
13 to this section.

14 **“(2)** If, at the date of death, a decedent held the certification for a  
15 credit under section 2 of this 2022 Act, the estate of the decedent shall  
16 be allowed a credit for use of the small forest owner minimum option,  
17 as provided in section 2 of this 2022 Act, to the extent that the credit  
18 has not been used to offset income taxes.

19 **“(3)** If the forest conservation area for which a credit under section  
20 2 of this 2022 Act was allowed is contained in the decedent’s estate,  
21 and if the timber in the forest conservation area is subsequently har-  
22 vested or otherwise removed in violation of the harvest restriction  
23 recorded for the forest conservation area, the Department of Revenue  
24 may impose additional tax, interest and penalties under ORS 118.005  
25 to 118.540. The additional tax liability shall be the amount of credit  
26 used against the decedent’s taxable estate.

27 **“(4)** The estate shall provide notice of the amount of credit received  
28 to the heirs or devisees, who will maintain records of the credit used.

29 **“(5)** Any unused amount of credit may be distributed to the heirs  
30 or devisees for use as a credit against the taxes imposed under ORS

1 **chapter 316, 317 or 318.**

2 **“SECTION 10. Section 9 of this 2022 Act applies to estates of**  
3 **decedents dying on or after January 1, 2023.**

4 **“SECTION 11. ORS 314.772 is amended to read:**

5 “314.772. (1) Except as provided in ORS 314.766 (5)(b), the tax credits al-  
6 lowed or allowable to a C corporation for purposes of ORS chapter 317 or  
7 318 shall not be allowed to an S corporation. The business tax credits al-  
8 lowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
9 allowable to the shareholders of the S corporation.

10 “(2) In determining the tax imposed under ORS chapter 316, as provided  
11 under ORS 314.763, on income of the shareholder of an S corporation, there  
12 shall be taken into account the shareholder’s pro rata share of business tax  
13 credit (or item thereof) that would be allowed to the corporation (but for  
14 subsection (1) of this section) or recapture or recovery thereof. The credit (or  
15 item thereof), recapture or recovery shall be passed through to shareholders  
16 in pro rata shares as determined in the manner prescribed under section  
17 1377(a) of the Internal Revenue Code.

18 “(3) The character of any item included in a shareholder’s pro rata share  
19 under subsection (2) of this section shall be determined as if such item were  
20 realized directly from the source from which realized by the corporation, or  
21 incurred in the same manner as incurred by the corporation.

22 “(4) If the shareholder is a nonresident and there is a requirement appli-  
23 cable for the business tax credit that in the case of a nonresident the credit  
24 be allowed in the proportion provided in ORS 316.117, then that provision  
25 shall apply to the nonresident shareholder.

26 “(5) As used in this section, ‘business tax credit’ means the following  
27 credits: ORS 315.104 (forestation and reforestation), ORS 315.138 (fish  
28 screening, by-pass devices, fishways), ORS 315.141 (biomass production for  
29 biofuel), ORS 315.156 (crop gleaning), ORS 315.164 and 315.169 (agriculture  
30 workforce housing), ORS 315.176 (bovine manure), ORS 315.204 (dependent

1 care assistance), ORS 315.208 (dependent care facilities), ORS 315.213 (con-  
2 tributions for child care), ORS 315.237 (employee and dependent scholar-  
3 ships), ORS 315.271 (individual development accounts), ORS 315.304  
4 (pollution control facility), ORS 315.326 (renewable energy development con-  
5 tributions), ORS 315.331 (energy conservation projects), ORS 315.336 (trans-  
6 portation projects), ORS 315.341 (renewable energy resource equipment  
7 manufacturing facilities), ORS 315.354 and 469B.151 (energy conservation fa-  
8 cilities), ORS 315.506 (tribal taxes on reservation enterprise zones and res-  
9 ervation partnership zones), ORS 315.507 (electronic commerce), ORS 315.514  
10 (film production development contributions), ORS 315.523 (employee training  
11 programs), ORS 315.533 (low income community jobs initiative), ORS 315.593  
12 (short line railroads), ORS 315.640 (university venture development funds),  
13 ORS 315.643 (Opportunity Grant Fund contributions), ORS 315.675 (Trust for  
14 Cultural Development Account contributions), ORS 317.097 (loans for af-  
15 fordable housing), ORS 317.124 (long term enterprise zone facilities), ORS  
16 317.147 (loans for agriculture workforce housing), ORS 317.152 (qualified re-  
17 search expenses) and ORS 317.154 (alternative qualified research expenses)  
18 and section 9, chapter 774, Oregon Laws 2013 (alternative fuel vehicle con-  
19 tributions), **and section 2 of this 2022 Act (small forest option).**

20 **SECTION 12.** ORS 318.031 is amended to read:

21 “318.031. It being the intention of the Legislative Assembly that this  
22 chapter and ORS chapter 317 shall be administered as uniformly as possible  
23 (allowance being made for the difference in imposition of the taxes), ORS  
24 305.140 and 305.150, ORS chapter 314 and the following sections are incor-  
25 porated into and made a part of this chapter: ORS 315.104, 315.141, 315.156,  
26 315.176, 315.204, 315.208, 315.213, 315.304, 315.326, 315.331, 315.336, 315.506,  
27 315.507, 315.523, 315.533, 315.593 and 315.643 **and section 2 of this 2022 Act**  
28 (all only to the extent applicable to a corporation) and ORS chapter 317.

29 **SECTION 13.** **This 2022 Act takes effect on the 91st day after the**  
30 **date on which the 2022 regular session of the Eighty-first Legislative**

1 **Assembly adjourns sine die.”.**

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