

Background

SB 1502 allows a small forestland owner (SFO) to elect standard practice harvest restrictions in place of the SFO minimum option for 50 years. This will result in harvesting less timber. In exchange for the 50-year deed restriction, the SFO receives a personal income tax or corporate excise tax credit equal to the stumpage value of the uncut timber plus the cost of appraisal and filing for deed restrictions. The credit may be used in non-consecutive years. Unused credits may be used against an estate transfer tax return.

Property Tax Effects

The Department of Revenue has identified a few technical suggestions to ensure the bill meets with what appears to be its intent.

The reference to ORS 321.257 to 321.390 in Section 2(8)(a) helpfully clarifies what happens to specially-assessed Western Oregon Forestland. We assume the intent is to also include specially-assessed Eastern Oregon Forestland under ORS 321.805 to 321.855 and the small tract forestland deferral program under ORS 321.700 to 321.754.

The reference to ORS 308A.119 in (8)(b) is only relevant to farmland, and thus (8)(b) can be deleted.

The FX classification of land in (8)(c) is unnecessary because (8)(a) ensures the land will not be disqualified from special assessment. Changing the land classification would create work for the county assessor with little visible result for the taxpayer.

Other Effects

It is likely that sale or transfer of the stumpage value tax credit is a taxable event for federal income tax purposes and will lead to an increase in Oregon taxable income.

The credit would be counted as an asset in the tax base for Oregon estate transfer taxes. A taxpayer would be required to pay estate transfer tax on a credit before it could be used to reduce the estate transfer tax. Because this does not appear to be the intent of the bill, we suggest the following addition to Section 9.

The Oregon taxable estate shall be reduced by the value of any remaining stumpage value tax credit held by the decedent to the extent any remaining stumpage value tax credit is included in the federal taxable estate of the decedent.

In Section 2(11), the Oregon Department of Forestry has rulemaking authority. It is administratively necessary for the Department of Revenue to also have rulemaking authority, as follows.

Nothing in this subsection (11) of this section 2 shall be construed to limit the power of the Department of Revenue to adopt rules under this chapter and chapter 118 to implement sections 2 to 6 or section 9 of this 2022 Act.

Agency Contact

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