

Timber Tax Review

2024 Interim Committee on House Revenue

December 10, 2024

State of Oregon

LEGISLATIVE REVENUE OFFICE





Assessments vs Taxes

Fire Protection Assessments

- Base Fire Protection Assessments (ORS 477.230)
- Acreage Assessment (ORS 477.880)
- Minimum Lot Assessments (ORS 477.295)
- Improved Lot Surcharge (ORS 477.277)

Timber Taxes

- Forest Product Harvest Taxes
 - Forest Research Laboratory – 321.015(1)
 - Fire Suppression – 321.015(2)
 - Forest Practices Act – 321.015(3)
 - College of Forestry – 321.015(4)
 - Forest Resources Institute – 321.017
 - Conservation and Recreation – Note following 321.017
- Small Tract Forestland Severance Taxes





Very Brief Historical Overview

Since 1989, base fire protection costs split between state and landowners

Improved Lot Surcharge

- 1989: \$20
- 1991: \$38
- 2007: \$47.50

Minimum Lot Assessment

- 1965: \$2
- 1977: \$5
- 1981: \$15
- 1991: \$18
- 2007: \$18.75

Acreage Assessment

- Pre-1981: \$0.01
- 1981: \$0.02
- 1989: \$0.04 (East)
\$0.02 (West)
- 1991: \$0.06 (East)
\$0.04 (West)
- 2007: \$0.075 (East)
\$0.05 (West)





Base Fire Protection

- **477.230 Basis for computing cost of protection provided by forester; costs to be in accordance with budget.** (1) The annual cost of protection provided by the forester for forestland within a forest protection district shall be as follows:
 - (a) **Grazing land within the district shall be protected by the forester at a pro rata cost per acre for all grazing land within the district boundary.** However, forest patrol assessments levied and assessed under ORS 477.270 against such lands that are not owned by public agencies may not exceed one-half of the pro rata cost per acre, exclusive of any assessment per acre under ORS 477.880.
 - (b) **Timberland within the district shall be protected by the forester at a pro rata cost per acre for all timberland within the district boundary.** However, forest patrol assessments levied and assessed under ORS 477.270 against such lands that are not owned by public agencies may not exceed one-half of the pro rata cost per acre, exclusive of any assessment per acre under ORS 477.880.
- (2) The cost of protection described in this section shall be in accordance with a budget for the district approved by the State Board of Forestry.





Improved Lot Surcharge

- **477.277 Additional assessment to maintain unencumbered balance of Oregon Forest Land Protection Fund.** (1) In addition to any other assessment prescribed by ORS 477.205 to 477.281, in any fiscal year in which the Emergency Fire Cost Committee determines pursuant to ORS 477.760 that the unencumbered balance of the Oregon Forest Land Protection Fund is less than \$22.5 million, **a surcharge shall be levied and assessed in the amount of \$47.50 for each improved lot or parcel**, except as provided in ORS 477.760, to defray the increased cost of fire suppression on forestland that is caused by the existence of the improvements.
 - (2) All surcharge moneys collected pursuant to this section shall be paid into the Oregon Forest Land Protection Fund.
 - (3) If an owner of forestland files a forest protection plan with the forester which is approved by the State Board of Forestry under ORS 477.210 (2), the owner shall not be required to pay the surcharge levied under subsection (1) of this section.
 - (4) Contiguous lots included in a combined lot that is described in ORS 477.295 (3)(a) and whose owner has made application to the forester under ORS 477.295 (4) are considered one lot for purposes of subsection (1) of this section.
 - (5) As used in this section, a lot or parcel is “improved” if it is indicated as improved in the county assessor’s property classification files or if a manufactured dwelling is sited on the lot or parcel.



Minimum Lot Assessment

- **477.295 Minimum assessment under ORS 477.270; combining lots; fees; rules.** (1) For purposes of making the levy and assessment of costs against forestland under ORS 477.270, **the minimum cost to provide fire protection or suppression for any lot or parcel of real property** separately assessed for ad valorem taxes or other taxes provided by law in lieu thereof, on the current assessment roll **shall be not less than \$18.75**, except as provided in ORS 477.760. Three dollars and seventy-five cents of each minimum assessment shall be paid into the Oregon Forest Land Protection Fund. Otherwise, such assessments shall be determined under ORS 477.230 and 477.270.
- (2) In any fiscal year in which the Emergency Fire Cost Committee determines pursuant to ORS 477.760 that the unencumbered balance of the Oregon Forest Land Protection Fund has:
 - (a) Increased to an amount:
 - (A) More than \$22.5 million but less than or equal to \$30 million, the minimum assessment referred to in subsection (1) of this section **shall be \$16.88 for each lot or parcel**. Of that amount, \$1.88 of each minimum assessment shall be paid into the Oregon Forest Land Protection Fund.
 - (B) More than \$30 million, the minimum assessment referred to in subsection (1) of this section shall be \$15 for each lot or parcel. This amount shall be treated in the same manner as assessments under ORS 477.230 and 477.270.
 - (b) Decreased to an amount that is at or below \$22.5 million, the minimum assessment referred to in subsection (1) of this section shall be \$18.75 for each lot or parcel. This amount shall be treated in the same manner as assessments under subsection (1) of this section.





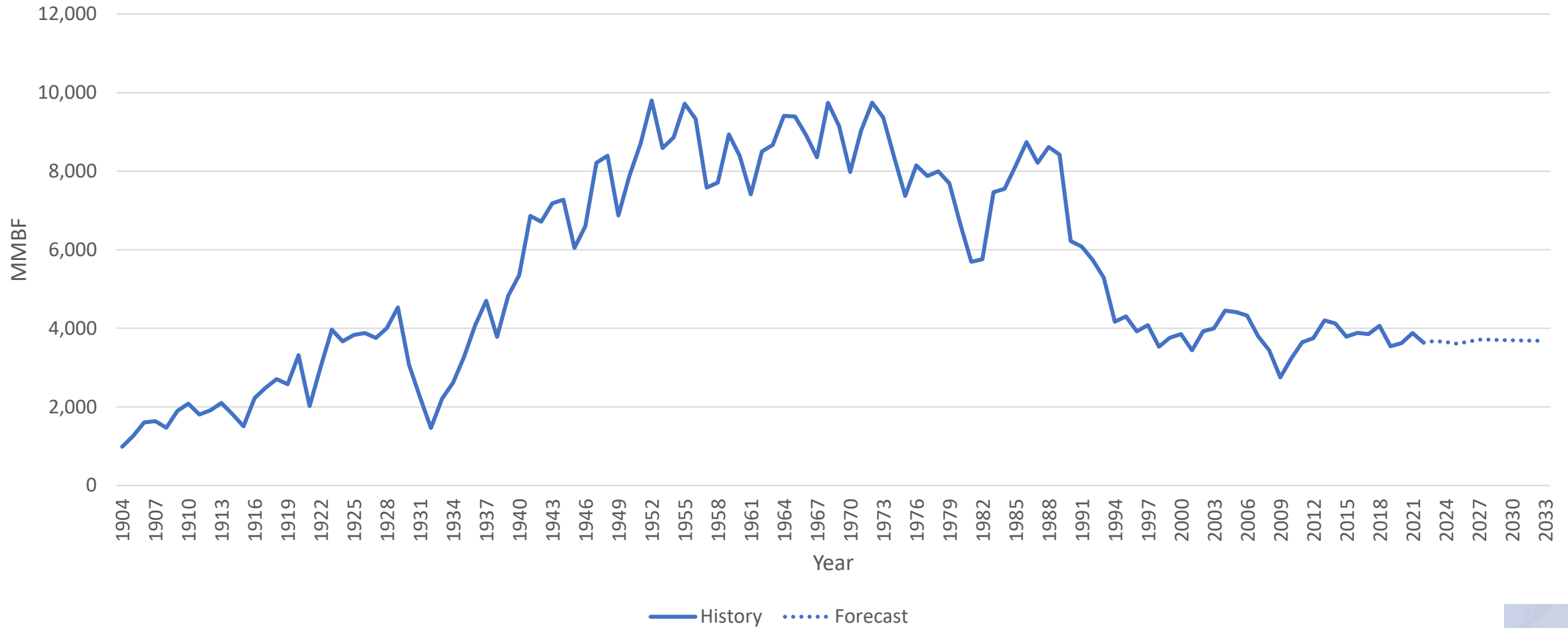
Per Acre Assessment

- **477.880 Acreage assessment; east side forestlands; certain forestlands west of Cascade Mountains; rate.** (1) An assessment for the cost of fire protection and suppression is levied upon the owners of all forestland that has been classified under ORS 526.305 to 526.370 and that is protected from the start or spread of fire thereon or therefrom by:
 - (a) The forester under ORS 477.210 (4), with the approval of the State Board of Forestry;
 - (b) The United States of America through contract or agreement with the forester or board;
 - (c) Any forest protective agency under contract or agreement with the forester or board pursuant to ORS 477.406; or
 - (d) Any forest protective agency, described in paragraph (c) of this subsection, under a contract or agreement with the United States of America wherein such agency agrees to protect specific federal forestlands, and in return, the United States of America agrees to protect specific lands of such agency.
- (2) Except as otherwise provided in ORS 477.760, for each fiscal year the assessment levied per acre of ownership of forestland designated in subsection (1) of this section shall be:
 - (a) **Seven and one-half cents for all forestlands east of the summit of the Cascade Mountains** and all forestlands which have been classified Class 3, agricultural class, under ORS 526.305 to 526.370; or
 - (b) **Five cents for all forestlands not described in paragraph (a) of this subsection.**



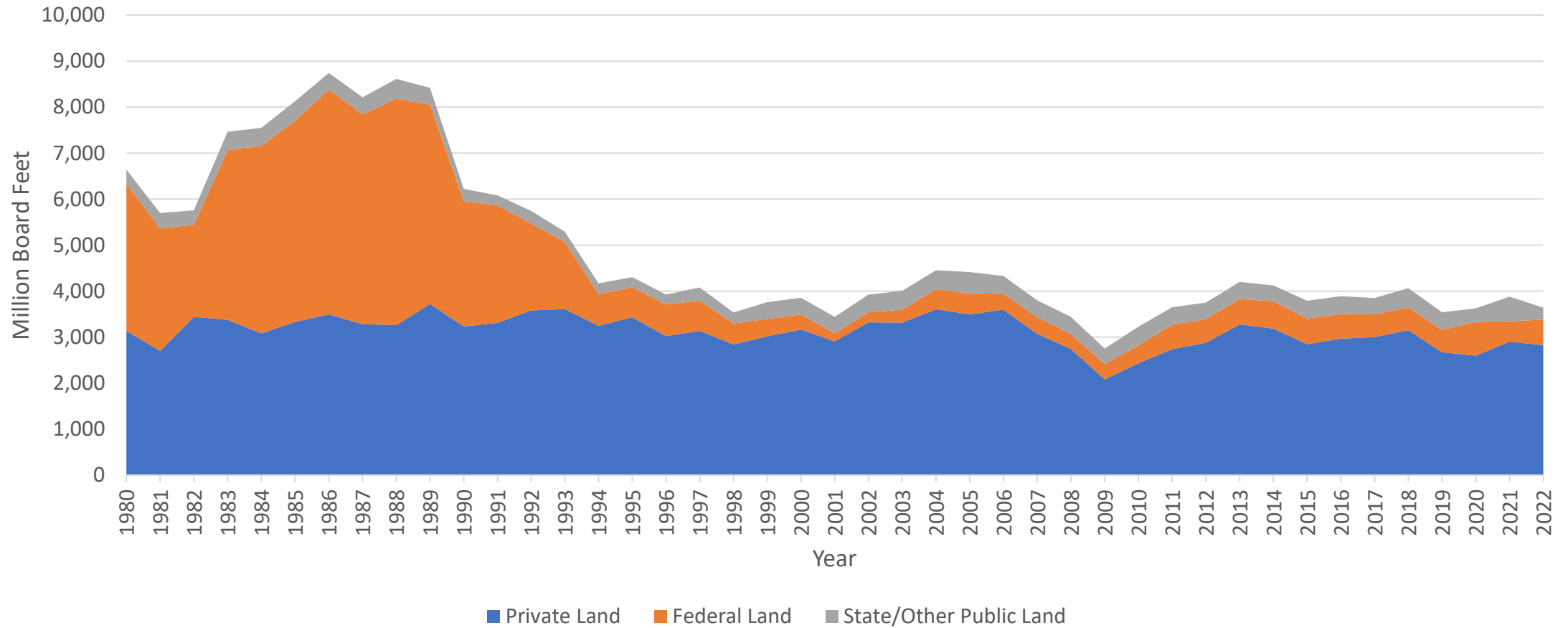


Annual Harvest – million board feet



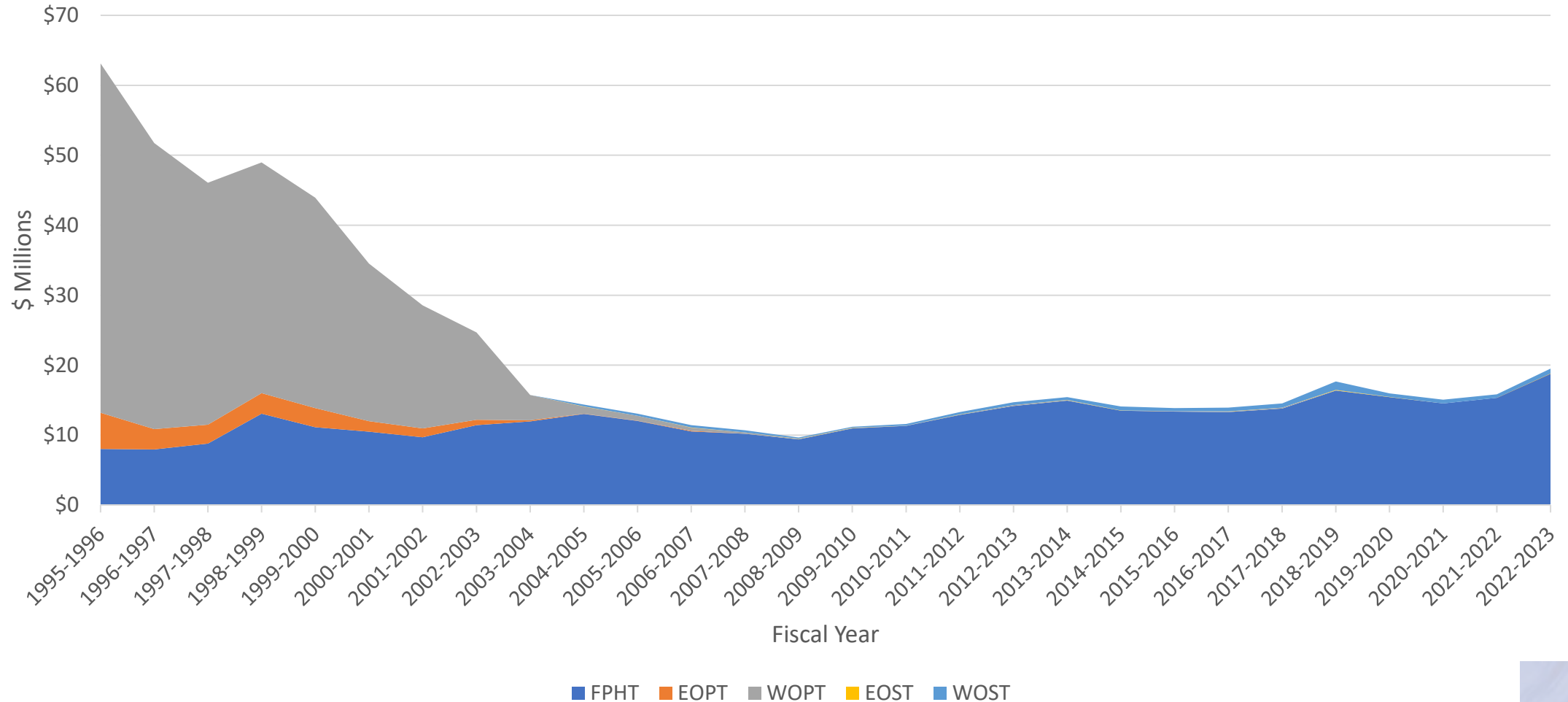


Oregon Timber Harvest



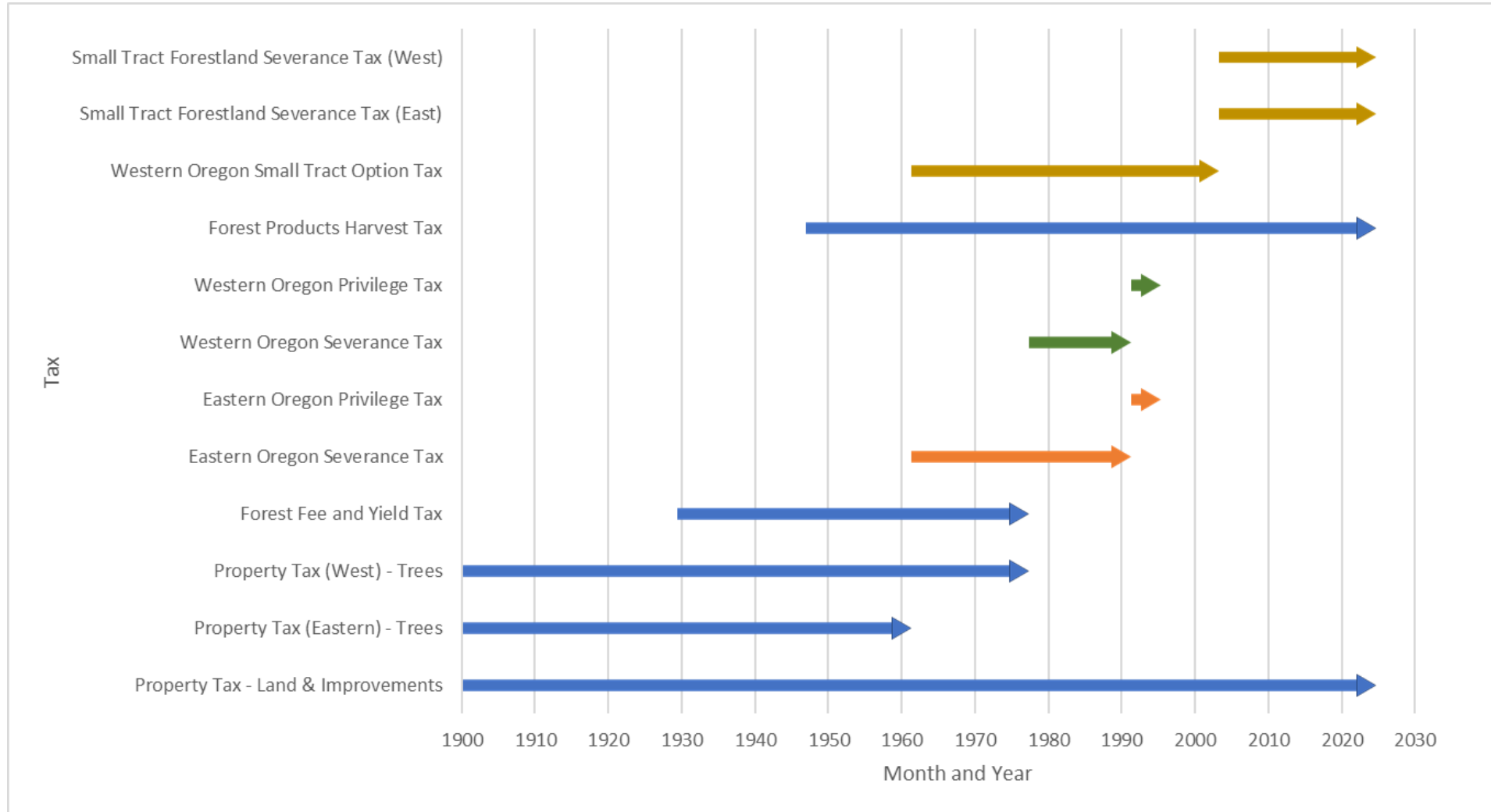


Taxes on Harvest over the Years (\$Millions)





Brief Timeline of Timber Related Taxes





Forest Products Harvest Tax

Applies to harvest from any lands (except most Tribal)

“The prevention and suppression of forest fires on forestlands for the preservation of forest resources and the continuous growth of timber on lands suitable therefor are declared to be the **public policy** of the State of Oregon.”(ORS 321.011)

Privilege Tax

...for the privilege of harvesting of all merchantable forest products harvested on forestlands...

\$5.9577 – Total Tax Rate per MBF (2024)

\$0.9000 – Forest resource research

\$0.6250 – Oregon Forestland Protection Fund

\$2.5346 – Forest Practices Act

\$0.2100 – Forestry Education

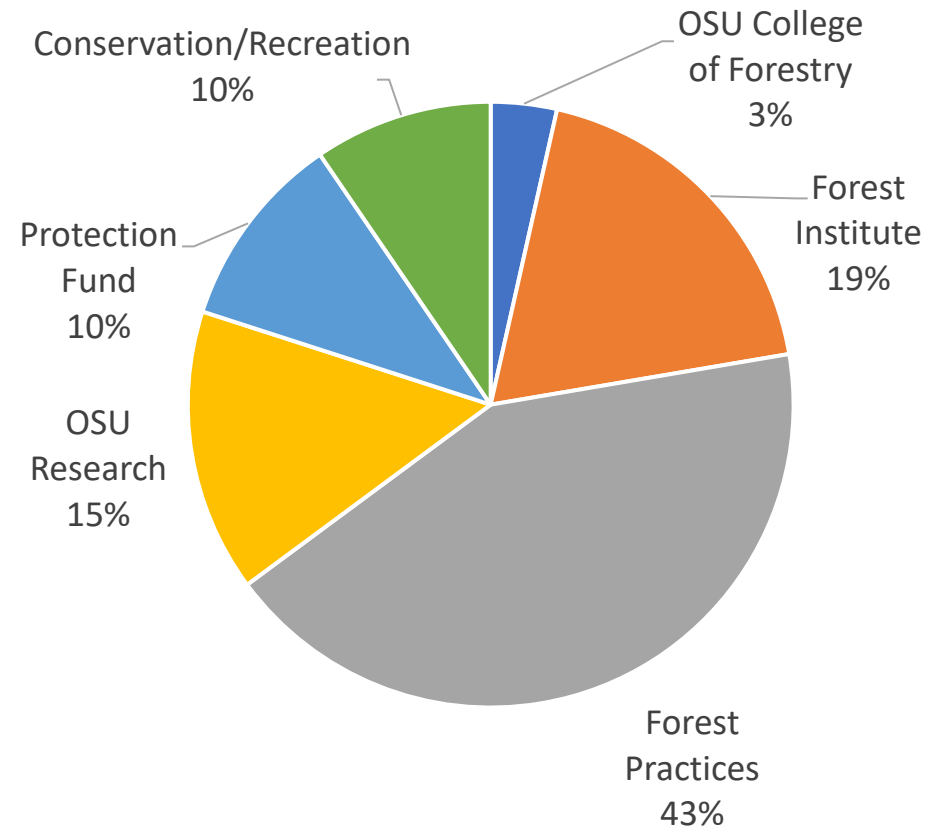
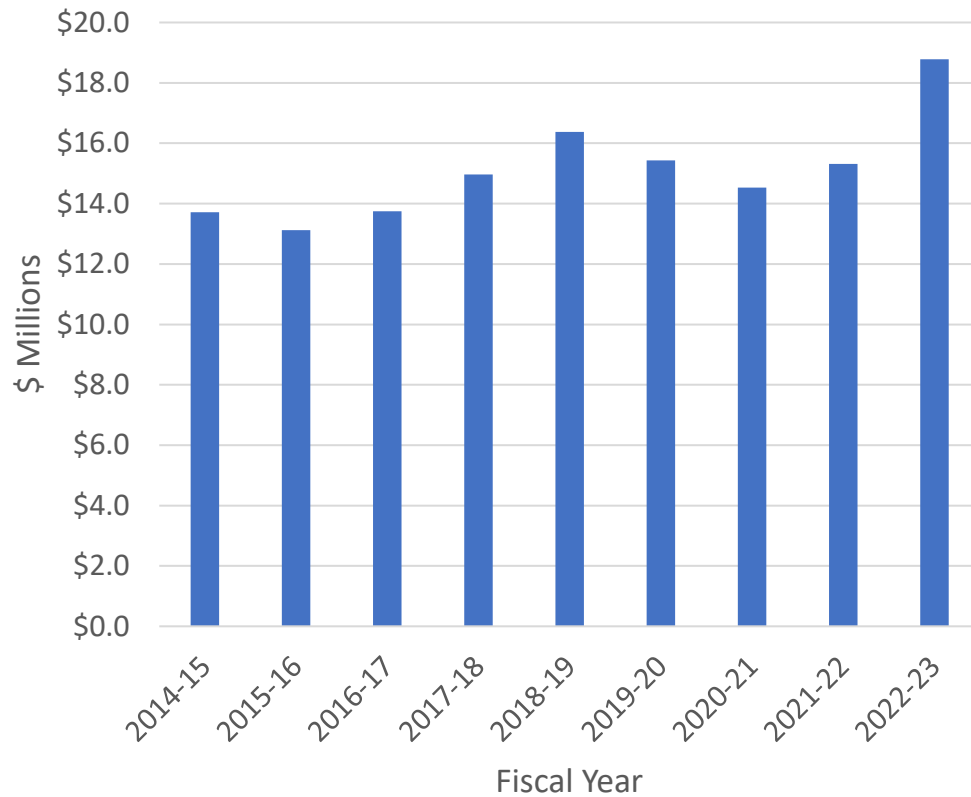
\$1.1200 – for Oregon Forest Resources Institute

\$0.5681 – Conservation and Recreation





Forest Products Harvest Tax: Collections and Allocation





Typical Tax Extension Bill

321.015 Levy of privilege taxes upon harvest of timber for certain purposes; exclusion.

- (1) For the calendar years beginning January 1, 2024, and January 1, 2025, there is levied a privilege tax of 90.00 cents per thousand feet, board measure, upon taxpayers for the privilege of harvesting of all merchantable forest products harvested on forestlands. Subject to ORS 321.145, the proceeds of the tax shall be transferred as provided in ORS 321.152 (2) to the Forest Research and Experiment Account for use for the forest resource research, experimentation and studies described in ORS 526.215 and for the Forest Research Laboratory established under ORS 526.225.
- (2) Except as provided in ORS 477.760, in addition to the tax levied by subsection (1) of this section, there is levied a forest products harvest tax upon taxpayers of 62.5 cents per thousand feet, board measure, for the privilege of harvesting all merchantable forest products harvested on forestlands for the payment of benefits related to fire suppression as provided in ORS 321.005 to 321.185, 321.560 to 321.600 and 477.440 to 477.460.
- (3) For the calendar years beginning January 1, 2024, and January 1, 2025, in addition to the taxes levied under subsections (1) and (2) of this section, there is levied a privilege tax upon taxpayers for the privilege of harvesting all merchantable forest products harvested on forestlands in the amount of 253.46 cents per thousand feet, board measure, for the purpose of administering the Oregon Forest Practices Act in an amount not to exceed 40 percent of the total expenditures approved by the Legislative Assembly for this purpose, including salary adjustments approved by the Legislative Assembly for fiscal years 2024 and 2025.
- (4) For the calendar years beginning January 1, 2024, and January 1, 2025, in addition to the taxes levied by subsections (1) to (3) of this section, there is levied a privilege tax of 21 cents per thousand feet, board measure, upon taxpayers for the privilege of harvesting all merchantable forest products harvested on forestlands. Subject to ORS 321.145, the proceeds of the tax shall be transferred as provided in ORS 321.152 (5) to the subaccount established pursuant to ORS 350.520 for use by Oregon State University for the purpose of making investments in professional forestry education at the College of Forestry.





Oregon Forest Resources Institute

321.017 Levy of additional privilege tax; distribution to Oregon Forest Resources Institute Fund.

- (1) In addition to the taxes levied under ORS 321.015 (1) to (4), there hereby is levied a privilege tax upon taxpayers on the harvesting of all merchantable forest products harvested on forestlands in the amount provided in subsection (2) of this section.
- (2) The rate of tax levied in subsection (1) of this section shall be established annually at the beginning of each calendar year by the board of directors of the Oregon Forest Resources Institute, at a rate not to exceed 75 cents per thousand feet, board measure, adjusted annually for inflation since 1991 based on the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor.
- (3) The tax shall be measured by and be applicable to each per thousand feet, board measure, and such shall be subject to and determined by the procedures and provisions of ORS 321.015 (5) and (6).
- (4) The tax levied by subsection (1) of this section shall be due and payable to the Department of Revenue in the manner and procedure, including penalties and interest, as set forth for the collection of the privilege tax in ORS 321.005 to 321.185.
- (5) The revenue from the tax levied by subsection (1) of this section shall be remitted...





Conservation & Recreation

Note following ORS 321.017: Sections 4 to 7, chapter 31, Oregon Laws 2022, provide:

Sec. 5. (1) In addition to the taxes levied under ORS 321.015 and 321.017, there is levied a privilege tax upon taxpayers on the harvesting of all merchantable forest products harvested on forestlands in the amount provided in subsection (2) of this section.

(2)(a) Except as provided in paragraph (b) of this subsection, at the beginning of each calendar year, the Department of Revenue shall set the tax levied under subsection (1) of this section at a rate estimated to collect \$2.5 million per year.

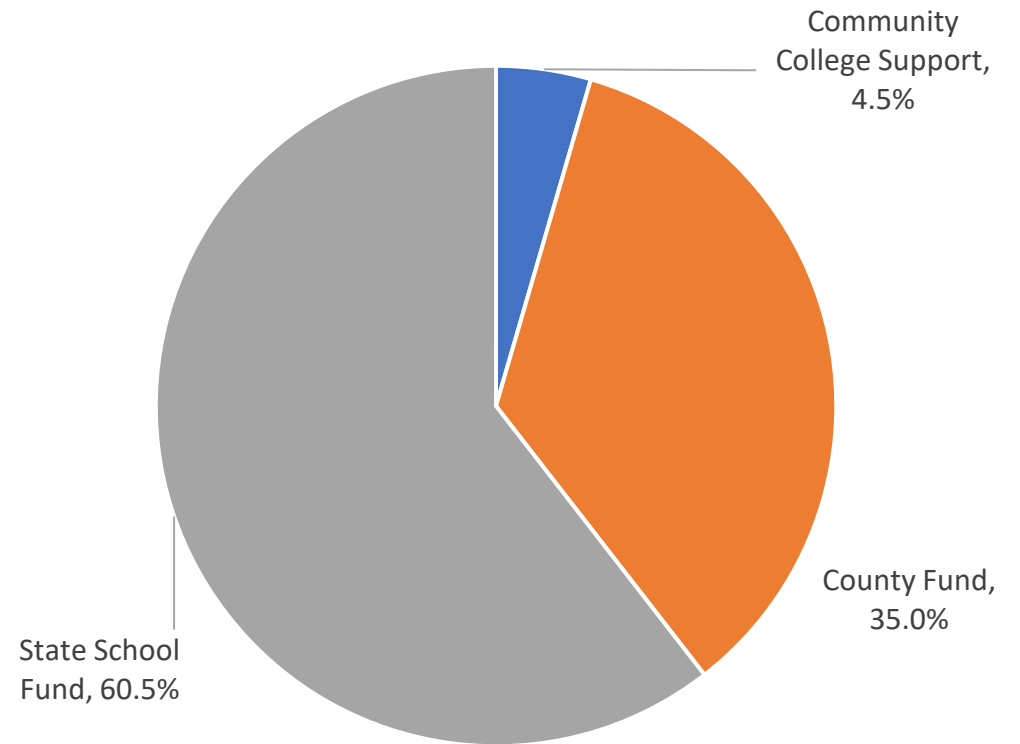
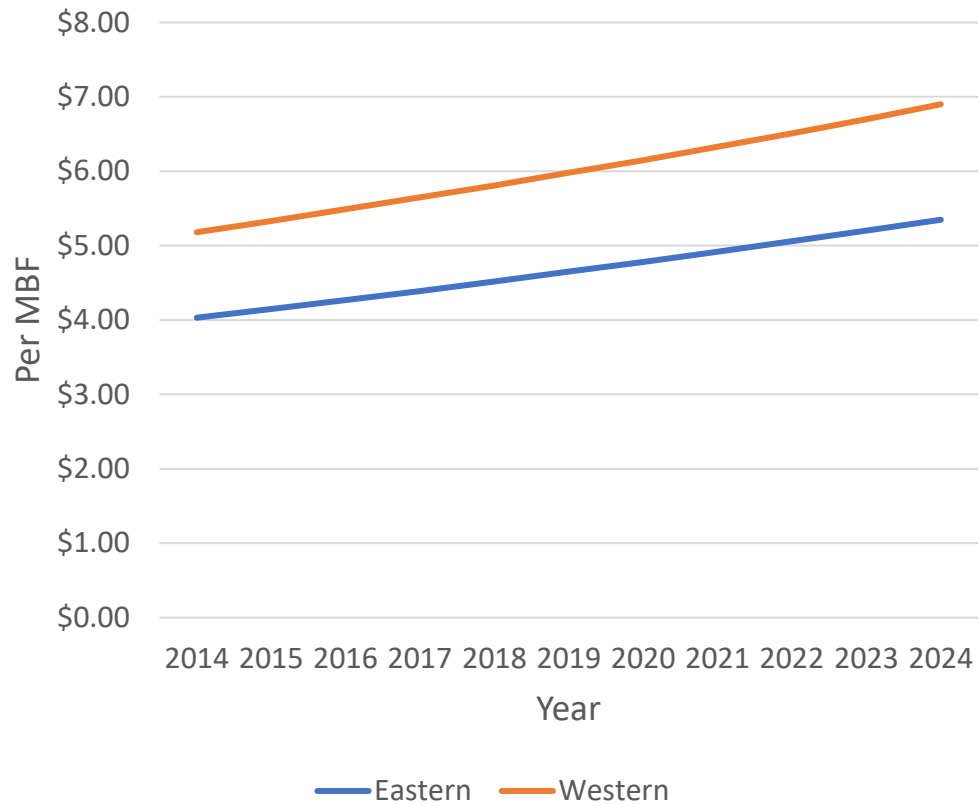
(b) Beginning with the first January following the issuance of an incidental take permit by the federal National Marine Fisheries Service or the United States Fish and Wildlife Service, pursuant to the federal Endangered Species Act (16 U.S.C. 1531 to 1544), that is consistent with the terms of the Private Forest Accord Report dated February 2, 2022, and published by the State Forestry Department on February 7, 2022, the Department of Revenue shall set the tax at a rate estimated to collect \$5 million per year.

(3) The tax shall be measured by and be applicable to each per thousand feet, board measure, and such shall be subject to and determined by the procedures and provisions of ORS 321.015 (5) and (6).





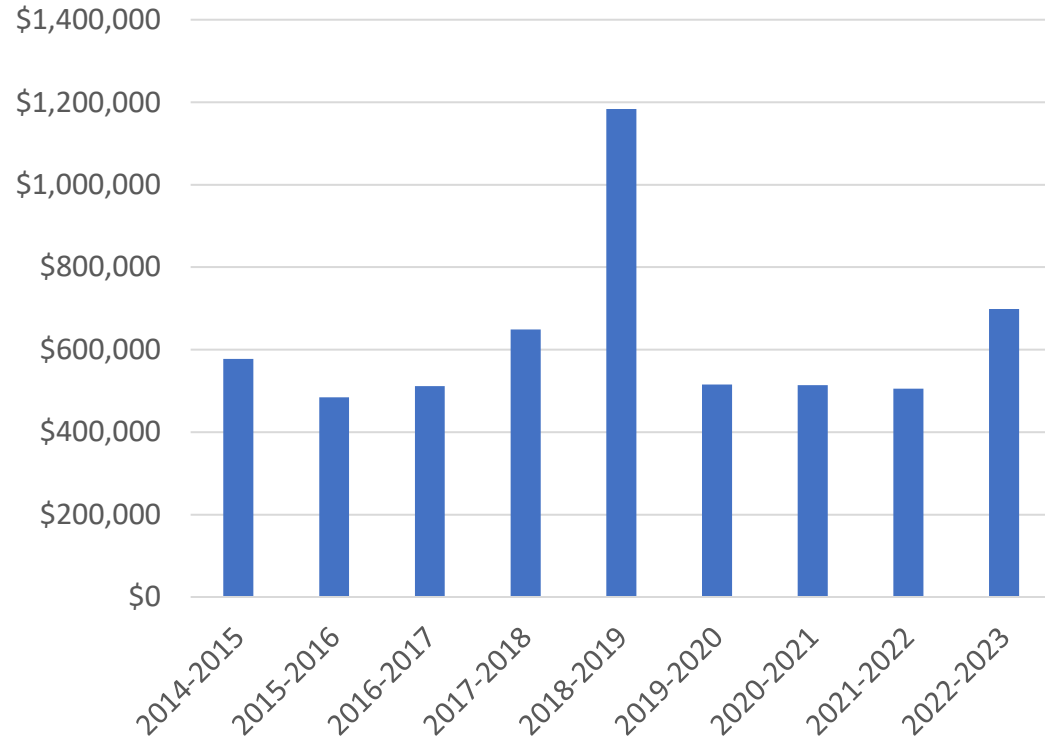
Small Tract Forestland Severance Taxes



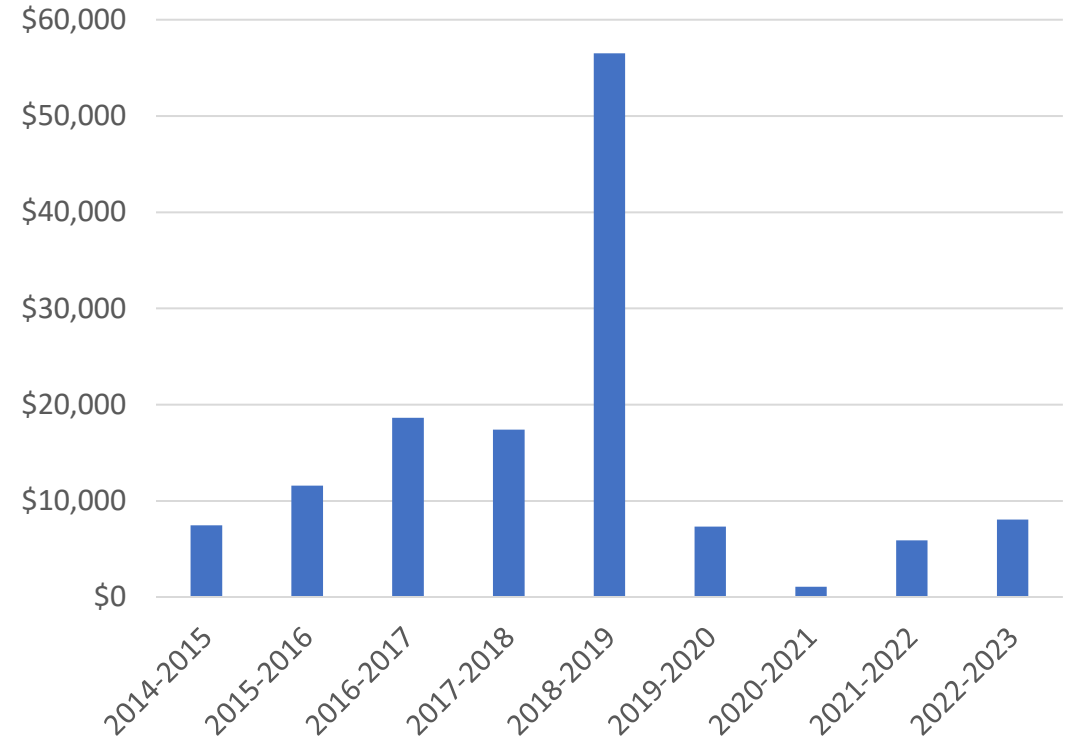


Small Tract Forestland Severance Tax

Western Oregon



Eastern Oregon



For More Information

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- <https://www.oregonlegislature.gov/lro>