

HB 2161 A -A3 STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

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Meeting Dates: 5/5, 5/12

WHAT THE MEASURE DOES:

Modifies small forestland owner forest conservation tax credit. Expands potential value of credit by: increasing area in which credit is determined, from standing timber in a forest conservation area to all standing timber in a no-harvest buffer; and, increasing credit determination from one-half the certified stumpage value of retained timber in certain dry channel areas to all retained timber in certain dry channel areas. Eliminates multiplier for stumpage value in the event a small forestland owner is barred from using the minimum option by the horizontal lineal feet limitation applicable to fifth field watersheds.

ISSUES DISCUSSED:

- Rationale for modifying the existing credit
- Credit previously negotiated in 2022 as part of Private Forest Accord
- Rules from Department of Forestry expected in June
- Defining "disproportionately impacted"
- Private Forest Accord of 2022
- Size of timber holdings of Small Forestland Owners.

EFFECT OF AMENDMENT:

-A3 Replaces content of measure.

Increases value of small forestland owner forest conservation tax credit by increasing certified stumpage value by 25 percent, if small forestland owner has a federal adjusted gross income of not more than 125 percent of the Oregon median household income averaged over three previous tax years, and is significantly disproportionately impacted by rules adopted by State Forester under ORS 527.610 to 527.770.

BACKGROUND:

Senate Bill 1502 (2022) created a tax credit for a small forestland owner who elects to adopt large forestland owner riparian area prescriptions when harvesting timber. The tax credit amount 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 the certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area. The credit requires a small forestland owner to abide by the Standard Practice harvest restrictions, which remain in effect for the non-harvested area for 50 years. The tax credit is available beginning with tax year 2023 and has no sunset date.

The small forestland owner (SFO) forest conservation tax credit was created in 2022 to provide a financial benefit to SFOs who adopt the Standard Practice timber harvest restrictions as adopted by the 2022 Private Forest Accord. The Standard Practice harvest option provides additional harvest buffer areas around riparian areas as compared to the SFO Minimum Option. This additional area of non-harvest is the 'forest conservation area' and the 50-year harvest restricted timber in that area is the standing timber in which the value of the tax credit is based. The SFO Minimum Option is a harvest option limited to five percent of the horizontal lineal feet of streams owned by SFOs, over a five-year rolling average, in a defined fifth field watershed.