

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
82nd Oregon Legislative Assembly  
2023 Regular Session  
Legislative Revenue Office

<b>Bill Number:</b>	<b>HB 2161 - A3</b>
<b>Revenue Area:</b>	<b>Personal &amp; Corporate Income Taxes, Estate Tax</b>
<b>Economist:</b>	<b>Kyle Easton</b>
<b>Date:</b>	<b>5/9/2023</b>

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

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

**Revenue Impact:** Minimal

**Impact Explanation:**

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 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.

Measure's modification to the SFO forest conservation tax credit has the potential to increase the value of the existing tax credit by 25 percent for qualifying taxpayers. To qualify for the increased 25 percent in value of the tax credit, a taxpayer must be significantly disproportionately impacted by rules adopted by the State Forester relating to the Oregon Forest Practices Act. Proposed rules by the Oregon Department of Forestry define "significantly disproportionately impacted" as a SFO parcel that: a) If it contains a dwelling, is 10 acres or more in size; (b) Has a total encumbrance from all small forestland minimum option riparian management areas, as described in rule, greater than 20% of the forested acreage of the parcel; and (c) Generates timber revenue that is relied upon to sustain management activities on forest properties, cover annual costs of ownership, provide regular contributions to income, or more than 5% of the revenue is contributed to a planned estate investment as demonstrated by a Forest Management Plan. A minimal impact on revenue is expected as the statutory and rule requirements are expected to limit the number of SFO's that may qualify for the increased credit value.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No

The policy purpose of this measure is to increase the value of the credit for Small Forestland Owners (SFOs) that are disproportionately impacted by the timber harvest changes made in the Private Forest Accord (PFA), in recognition of potential outsized impacts placed on such SFOs resulting from the PFA.

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