

B-Engrossed House Bill 2161

Ordered by the House May 16
Including House Amendments dated March 13 and May 16

Sponsored by Representatives SMITH DB, SCHARF; Representative LEVY B (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Makes certain changes to calculation of small forestland owner tax credit.

A BILL FOR AN ACT

Relating to forestry; amending section 4, chapter 34, Oregon Laws 2022.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 4, chapter 34, Oregon Laws 2022, is amended to read:

Sec. 4. (1) The amount of the tax credit allowed under section 2 *[of this 2022 Act]*, **chapter 34, Oregon Laws 2022**, shall be the sum of:

(a) The certified stumpage value of standing timber in that portion of the forest conservation area that is not harvested as a result of using the standard practice harvest restrictions in lieu of the small forest owner minimum option, using the standard measuring techniques of professional foresters;

(b) The cost to the small forestland owner of establishing the stumpage value, including the cost of appraisal performed by a professional forester, and of filing and recording a deed restriction as described in section 3 (3) *[of this 2022 Act]*, **chapter 34, Oregon Laws 2022**; and

(c) If applicable, one-half of the certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area.

(2) *[If the small forestland owner is barred from using the small forest owner minimum option by the horizontal lineal feet limitation applicable to fifth field watersheds,]* The certified stumpage value described in subsection (1)(a) of this section shall be multiplied by 125 percent[.] **if the small forestland owner:**

(a) Is barred from using the small forest owner minimum option by the horizontal lineal feet limitation applicable to fifth field watersheds; or

(b)(A) Is operating on a parcel of land that is significantly disproportionately impacted by rules adopted under ORS 527.610 to 527.770, as determined by the State Forester; and

(B) Has a federal adjusted gross income, as described in ORS 316.013, of not more than 125 percent of the Oregon median household income, as averaged over the three previous tax years.

(3) The applicable stumpage values under this section shall be the values as of the date of filing a notification of operation under ORS 527.670, as described in section 3 (1)(a) *[of this 2022 Act]*, **chapter 34, Oregon Laws 2022**, and shall be calculated using one of the following methods:

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (a) The conversion return method, in which the volume of timber being retained is determined
2 by species and log grades, and a value is established from current delivered log price information,
3 less a reasonable cost for harvest and delivery, for the area in which the retained timber would
4 ordinarily be sold.

5 (b) The actual comparison method, which may be used if the timber being retained is similar in
6 species and log grades to the timber being harvested, and which is calculated using actual revenues
7 from the timber being harvested by the small forestland owner in the harvest area adjacent to the
8 forest conservation area.

9 (c) The cash flow modeling method, in which the value of standing timber is determined by using
10 the projected volume of the stand over a harvest rotation based on species and site class, deter-
11 mining the value at harvest age and then discounting the value to the present date using an interest
12 rate equal to the direct farm ownership loan interest rate of the Farm Service Agency of the United
13 States Department of Agriculture.

14 (4) Costs, including the cost of an appraisal and the cost of filing and recording a deed re-
15 striction, may be included in the credit amount only to the extent that the amount attributable to
16 those costs is not claimed as an income tax deduction by the taxpayer.

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