

# Forest Conservation Tax Credit Program



## Summary

- The Forest Conservation Tax Credit (FCTC) was created by the legislature in 2022 to provide a financial benefit to small forestland owners (SFOs) who support conservation and habitat protection by retaining a larger unharvested area next to streams for protection of wildlife habitat and aquatic species.
- SFOs who agree to limit timber harvests in their conservation area for 50 years by following the standard practice for harvests rather than the small forestland owner minimum option can receive a tax credit based on the value of the unharvested timber inside the conservation area and related costs.

## Process

- Landowner confirms that they qualify as a small forestland owner who:
  - ✓ Owns less than 5,000 acres of forestland in Oregon;
  - ✓ Harvested no more than an average of 2 million board feet of timber each year during the past 3 years; and
  - ✓ Does not expect to harvest more than an average of 2 million board feet of Oregon timber during the next 10 years.
- The SFO must submit notification of operation for a timber harvest type 1, type 2, or type 3 next to an eligible stream that has specific vegetation retention requirements and a harvest area that is at least the same size as the area that will not be harvested. Type 4 harvests are not eligible for the tax credit.
- The SFO must agree to follow the standard practice harvest rules and indicate their intent to apply for the tax credit.
- Within 3 months of completion of the harvest, the SFO must provide required information and documentation to SFO Office for determination of tax credit amount.



## Determination of Tax Credit Amount

The amount of the tax credit is based on the stumpage value of the timber left unharvested in the forest conservation area, which is the strip of riparian area between the standard practice and minimum option buffer zones, plus appraisal costs and the cost of filing a deed restriction with the county.

Given the different requirements for vegetation retention based on stream size and classification as well as location in the state, either Western Oregon or Eastern Oregon, those boundaries will be different and will create different sizes of forest conservation areas for different SFOs.



## Certification

Once the SFO has provided the information necessary to determine the amount of the tax credit, the SFO Office provides a tax credit certificate to the SFO and the Department of Revenue.

The SFO then needs to file a deed restriction in the county where the forest conservation area is located. This deed restriction prohibits timber harvest in the conservation area for 50 years.

## Use of Tax Credit

- Offset Oregon income or estate tax liability.
- Lump sum or over multiple consecutive or non-consecutive tax years.
- Transferable to heirs.
- Not transferable to new landowner if land is sold.

## Termination of Tax Credit and Removal of Deed Restriction

If the landowner who originally applied for and received the tax credit wishes to use the minimum option or remove the deed restriction, that landowner must notify the SFO Office and repay any credit that has been used, with interest.

If a subsequent landowner who is not an heir of the original landowner wishes to use the minimum option or remove the deed restriction, the new owner must repay the original amount of the credit received by the previous owner, with interest from the date of acquisition of the property.

Should a landowner intentionally harvest in a riparian area where a credit has been issued and a deed restriction prohibits that harvest, the landowner will be in violation of the Forest Practices Act and subject to penalties for the violation. The tax credit certification will be revoked, and the amount of any credit used must be repaid with interest.

