

# Introduction

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Forestlands are important to Oregon's economic and environmental health. The Oregon Legislature established several special assessment programs that reduce taxes for forestland owners in order to recognize and encourage timber growth and harvest.

This manual is intended to serve as a comprehensive technical reference manual for those who appraise forestland in Oregon for property taxation. The manual is designed to help county tax assessors and appraisers interpret forest use statutes and administrative rules. Owners of forested properties may find information in this booklet helpful in decisions related to their forestland holdings.

This manual is not intended to be the definitive legal reference for all laws and regulations applying to forestland in Oregon. Management and harvests on private forestland are regulated by several state and federal agencies. County assessors and appraisers should seek advice on questions that are outside the range of their expertise. This booklet is also not intended to serve as a guide on management of forested properties or advise owners on the tax consequences of every action they may take on their property. Owners of forested properties are encouraged to seek expertise from their county assessors, extension agents, forest consultants, or others on matters specific to their properties.

## Roles of county and state government in program administration

County government, through the county assessment offices, is the primary decision-maker and authority of forestland special assessments. The county is responsible for accepting and processing applications for the special assessments, including disqualifying lands that no longer qualify and collecting the appropriate property taxes.

State government, through the Oregon Department of Revenue (DOR), oversees the administration of forestland special assessments by interpreting statutes and administrative rules, producing forms and publications, and acting as a resource for county questions. This serves to

maintain consistent interpretation and application of statutes and rules related to the administration of tax programs. DOR also provides valuation functions in support of the forestland programs and administers the tax imposed on harvested timber. The Oregon Department of Forestry has statutory authority to monitor stocking levels and to recommend both reforestation plans and disqualification proceedings.

## Forested land versus forestland

"Forested land" is land that supports natural vegetation that includes tree species.

"Forestland" is land that meets the criteria detailed in Oregon Revised Statute (ORS) 321.257(2) for western Oregon or ORS 321.805(4) for eastern Oregon. It also includes land that is designated as forestland and meets the species, stocking and acreage criteria in Oregon Administrative Rule (OAR) 150-321.358(4) for western Oregon, and OAR 150-321.839(4) in eastern Oregon.

## Programs that cover assessment of property taxes on forested land

### Forestland

**Highest and best use** – Lands where the best, most economically productive use is to grow timber and other forest products. This determination is based on appraisal judgment and determined by the county assessor. The landowner does not apply for this assessment.

**Designated** – Land that has a higher and better use than forestland that has been designated as forestland at the request of the landowner with the approval of the county assessor. The land must be held or used for the predominant purpose of growing and harvesting trees of a marketable species. The landowner must apply for this assessment.

**In western Oregon: Designated forestland valued as farm use** – Forestland in western Oregon may be assessed at farm use values when certain conditions are met. The landowner must apply for this assessment.

## Small Tract Forestland (STF) Option

This program serves as an alternative option to the forestland special assessment program. The land must meet the criteria of forestland special assessment. Owners are eligible if they own at least 10 acres, but less than 5,000 acres of qualified forestland in Oregon. The benefit to the owner is that the land is taxed at 20 percent of the value assessed on forestland properties. A severance tax is then applied to timber harvested from STF land to recover the revenue loss from the reduced assessment on the land.

## Farm woodlot

This is a farm use special assessment. The program is explained in the *Farm Use Assessment Procedures* (DOR Publication 150-303-422). Generally, an owner of farm property may elect to place up to 20 acres of forested land in this farm use assessment.

This manual is organized in five main sections that cover the qualification, valuation, disqualification, additional tax, and special provisions of forestland.

The **Qualification** section will describe the owner requirements, application criteria, review process, and the ongoing process the county uses to check compliance with program requirements.

The **Valuation** section addresses the process of appraisal, certification of values, and value appeal process. The terms Real Market Value (RMV), Specially Assessed Value (SAV), Maxi-

mum Assessed Value (MAV), and Maximum Specially Assessed Value (MSAV) are defined. The valuation of the different forest productivity classes found within the state will be discussed.

The **Disqualification** section will address the reasons for all or part of a forest property to be disqualified from special assessment. The conditions that constitute “change of use” from forest to other uses will be described.

The **Additional Tax** portion covers the details of when and how to compute the additional tax that is assessed when properties are disqualified from forestland special assessment.

The last section covers **Special Provisions** related to forestland special assessment. This includes topics such as exchanges, properties under short rotation for hardwood production, land growing Juniper trees, conservation easements, non-farm use dwellings, and specially assessed forest homesites.

The **Appendix** includes reference material that is useful in administering the special assessment of forestland properties. Information includes: sample letters, administrative rules, statutes, court cases, guidelines for checking stocking, and site class data. Also included is a list of resources for forestland owners on topics such as forest management, tax advice, Small Tract Forestland decision-making, and tree propagation.