

Valuation Chapter

1. Background Information	3-3
A. 2001 Legislative Declaration	3-3
B. Forestland Valuation Process Beginning 2003	3-3
C. Forestland Appraisal Now	3-3
2. Values on Specially Assessed Properties	3-3
A. Real Market Value (RMV)	3-3
B. Assessed Value (AV)	3-4
C. Maximum Assessed Value (MAV).....	3-4
D. Specially Assessed Value (SAV).....	3-4
1. Special Assessment of Western Oregon Forestland	3-4
(a) Western Oregon Forestland Classes.....	3-4
(b) Re-determination of Forestland Land Classes	3-6
(c) Producing Western Oregon Forestland Values.....	3-6
2. Special Assessment of Eastern Oregon Forestland	3-7
3. Small Tract Forestland (STF).....	3-7
4. Valuation of Certain Forested Land at a Farm Use Value.....	3-8
5. Farm Woodlot.....	3-8
E. Maximum Specially Assessed Value (MSAV)	3-8
3. Forest Use Mass Appraisal Procedures	3-8
4. Appeals	3-9
A. Specially Assessed Forestland	3-9
B. Jurisdiction of Board of Property Tax Appeals	3-9

Valuation

1. Background Information

1A. 2001 Legislative Declaration

The 2001 Legislature declared that the best way to achieve an accurate assessment of forestland is to determine forestland values annually. It also initiated the use of valuation models for western and eastern Oregon. The models consider forestland sales, stumpage values, immediate harvest values, log prices, and other reasonable factors that promote real market analysis for forestland.

1B. Forestland Valuation Process Beginning 2003

Legislation changed the forestland valuation process beginning in 2003. This legislation incorporated the constitutional protections of Measure 50 to forestland. Measure 50 set a “maximum assessed value” (MAV) on properties. The base for the 1997-98 tax year was set by reducing the 1995-96 values by 10 percent. Future taxable values were limited to 3 percent annual growth with some exceptions. Taxes are paid on the lesser of the real market value (RMV) or the MAV.

1C. Forestland Appraisal Now

Each year the Department of Revenue gathers, verifies, and analyzes forestland sales. This information is used to set the value of forestland. Values are produced for western Oregon forestland classes FA, FB, FC, FD, FE, FF, FG and FX. A value is also produced for forestland in eastern Oregon (eastern Oregon does not have forestland classes).

On or before April 1, the department must give notice of the proposed specially assessed values of forestland to county assessors and associations, trade organizations, people that represent forestland owners, and any person that makes a written request for a notice. The notice must include:

- a. The proposed values,
- b. A description of the valuation model used in determining the values,

- c. A summary of the market data used, and
- d. The date, time, and location of the public hearing on the proposed values.

The public hearing is usually set during the week following April 15. In accordance with public meeting law, any member of the public may provide written comments or testify at the hearing. Written comments must be submitted on or before May 1. The department will consider testimony and comments prior to certifying the specially assessed values to the county assessors.

Certified values are sent to county assessors on or before June 1 of each year. These values represent the real market value, as of the assessment date for each tax year, of ‘highest and best use’ forestland in each land class and the specially assessed value of designated forestland.

2. Values on Specially Assessed Properties

The counties must maintain an array of values on specially assessed properties. These values include:

- Real market value
- Assessed value
- Maximum assessed value
- Specially assessed value
- Maximum specially assessed value
- The homesite real market value and the homesite specially assessed value
- The improvement real market value
- The maximum assessed value for the property account
- The assessed value for the account

2A. Real Market Value (RMV)

For all property, the assessor develops RMV based on the property’s highest and best use. ORS 308.205 defines RMV of a property as the amount in cash that could reasonably be expected to be paid by an informed buyer to an

informed seller, each acting without compulsion in an arm's length transaction occurring as of the assessment date for the tax year as established by law.

2B. Assessed Value (AV)

Assessed value is the value used to multiply by the tax rate to calculate the taxes owing on property. Measure 50 (1997) requires that a property be assessed at the lesser of the property's RMV or maximum assessed value (MAV) unless the property is specially assessed. Under special assessment, the value used is the lesser of the specially assessed value (SAV) or the maximum specially assessed value (MSAV).

2C. Maximum Assessed Value (MAV)

Measure 50 established MAV in 1997. The initial calculation of the MAV was done for the 1997-98 tax year. The purpose was to set a base for future tax limitations. The first MAV calculation used 90 percent of the 1995-96 assessed value as the assessed value for the 1997-98 tax year. In addition to lowering value, Measure 50 also set a limitation on how much the assessed value can increase for a property each year. The maximum is 3 percent per year.

The MAV is equal to the prior year assessed value times 103 percent **or** the prior year MAV, **whichever is greater**. There are exceptions to this limitation. Exceptions include new construction, major additions, subdivisions, and disqualification from special assessment.

2D. Specially Assessed Value (SAV)

SAV is the real market value of highest and best use forestland as determined by the Department of Revenue. Forested land may qualify for special assessment as forestland under four programs; Western Oregon Forestland, Eastern Oregon Forestland, Designated Forestland, and Small Tract Forestland. SAV is also applied to Farm Woodlot and certain forestland under farm use using an income approach. Each program has specific conditions and characteristics that make them unique. Appraisers should become familiar with the types of forested land within

their county and apply the correct assessment value for each program.

2D1. Special Assessment of Western Oregon Forestland (ORS 321.257 to ORS321.390)

Western Oregon includes 19 counties: Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill.

ORS 321.201 to 321.222 specifies the valuation procedures for this program (see Section 1C Forestland Appraisal Now). ORS 321.348 directs the Oregon Department of Revenue to assign land classes to forestland. Land classes are defined in ORS 321.257. There are eight classes of forestland in western Oregon: FA, FB, FC, FD, FE, FF, FG, and FX. The class with the highest value is FA and the lowest value is FX. Department of Revenue foresters have assigned the productive capacity of most forestland and labeled the land class by 40-acre grid within each section.

2D1(a). Western Oregon Forestland Classes

Foresters and the timber industry use site classes I, II, III, IV, and V as a standard for labeling site productivity. The site index relationships are based on tree heights and age. The 100-year index is based on Technical Bulletin No. 201, a USDA publication entitled *The Yield of Douglas-Fir in the Pacific Northwest* first published in October 1930. The 50-year index is based on a timber industry publication in July of 1966 titled *Site Index Curves for Douglas-fir in the Pacific Northwest* by James E. King. These references are included in OAR 150-321.257(3). The department also considers topographical features, vegetation, and soil types to help determine the productivity of the land and assign the land classes.

Table 3
Relationship Between 100-year/50-year Douglas Fir Site
Index Table and DOR Forestland Classes

100-Year Site Index (McArdle 1949)		50-Year Site Index King 1966)		Site Class	(DOR) Forestland Class
From	To	From	To		
205	& above	152	& above	I+	
195	204	145	151	I	FA
186	194	139	144	I-	
175	185	131	138	II+	
165	174	124	130	II	FB
156	164	118	123	II-	FC
145	155	110	117	III+	
135	144	102	109	III	FD
126	134	96	101	III-	FE
115	125	89	95	IV+	
105	114	81	88	IV	FF
96	104	74	80	IV-	
85	95	67	73	V+	
75	84	59	66	V	FG
65	74	50	58	V-	
below 65		below 50			FX

The FX classification on western Oregon forestland applies when conditions are present on land that causes the site classification to be at a level below site 5 productivity. FX is the lowest value per acre of 8 forestland productivity levels in western Oregon (see OAR 150-321.257(3)). There are conditions of land that are described in the definition of isolated openings such as rock outcrops, river wash, swamps and chemical conditions of the soil, that will also qualify the land to be classified as FX. The FX classification is also applied to sites that would normally allow forest growth but restrict trees from reaching maturity because of a power line or other utility right-of-way passing through the ownership. The width of the right-of-way would need to be wide enough to prevent typical forest tree growth from occurring before using the FX class.

The determination to use the FX classification or “isolated openings” for these conditions is based on the size of the area. There is no upper limit to the acreage for which the FX classification may apply. The factor that limits using this classification on an area is the appraisal decision that the area is not in support of the surrounding forestland. A guideline has been used that sets a minimum of 2 acres to separate FX land from the surrounding forestland. If the low productivity area is less than 2 acres it is considered an isolated opening and is classified as forestland at the same productivity as the surrounding area.

Table 3 shows four measurements of site quality and the relationship between the measurements. Professional foresters have used the 100-year and the 50-year site index as industry standards to

evaluate productivity in the Douglas-fir region of the Pacific Northwest.

The table is intended to show the relationship between the forestland classification and site indices as specified under OAR 150-321.257(3). It is the responsibility of the Oregon Department of Revenue to determine the site index from sample data in the field for determination of forestland class.

2D1(b). Redetermination of Forestland Land Classes

Land class assigned to forestland may be reviewed upon request of the landowner. The landowner must submit a request in writing to the Department of Revenue. Detailed information must be submitted with the request as described in OAR 150-321.348(2). This information includes, but is not limited to:

- Third party evaluation
- Soil survey details
- Aerial photo and/or a contour map
- A narrative that describes geographic characteristics that influence site
- Identify the property;
 1. County name
 2. Tax account number
 3. Legal description
 4. Total forestland acres owned
 5. Describe the physical location and number of forestland acres that are to be reviewed

The Department of Revenue must receive the request by April 1 for any change in land class to reflect on the tax roll for the tax year beginning the following July 1. If the department receives the request after April 1, any resulting change will take effect in the tax year beginning July 1 of the following year. The department will send a written notice of the decision to the owner. Any change of the land class will be certified to the county assessor for processing prior to July 15 of the tax year for which the review decision first applies. Decisions may be appealed to the Magistrate Division of the Oregon Tax Court per ORS 305.275.

2D1(c). Producing Western Oregon Forestland Values

The Oregon Department of Revenue computes and produces the forestland values for western Oregon counties annually. Forestland sales are collected each year from county assessors' sales databases and other sources that become available. Any sales that have occurred since the previous year's collection can be included in the analysis. The information gathered is used to allocate values to the components of the sale. The goal is to determine the bare land value for each forestland productivity class.

Forestland sales used in the valuation process must meet a specific set of criteria for inclusion in the valuation study. These sales must be:

- Of 'highest and best use' forestland
- Within the appraisal time period
- An arm's-length transaction
- Of monetary consideration, (cash or a financing method standard to the real estate market)

Data is collected on sales that meet the criteria and appear to represent a market value of forestland. This data includes:

- A copy of the deed
- A map of the property
- An aerial photo of the property
- Zoning information
- A copy of a completed county sales questionnaire, if available
- A copy of the county assessment information on all accounts
- A DOR questionnaire detailing specific information of the sale

DOR sends a questionnaire to the purchaser to verify details about the transaction. DOR questionnaires for forestland sales ask the buyer to detail the monetary allocation that they assigned to each component involved in the sale. These components typically consist of the land, immature timber, mature timber, improvements, and other allocations. The DOR questionnaire also asks the buyer to verify that the property was purchased strictly for forestland use and if there were other considerations involved in the transaction. If a completed questionnaire is not submitted, it will be followed-up with a telephone

call. If the needed information is unavailable from the purchaser, then the seller is contacted. All information individual purchasers or sellers of forestland provide is considered confidential and is covered by disclosure statutes and rules. A field inspection of the property may be necessary to clarify details of the sale.

A copy of the DOR questionnaire is included in Appendix D.

Details of this data gathering may determine that the sale does not meet the criteria of a usable sale. Examples of forestland sales that may be excluded from the analysis include properties with mixed uses or properties where a homesite and improvements dominate the sale value. For the sale to be included in the analysis, purchasers of forestland properties must affirm in the DOR questionnaire that their intent is to grow and harvest trees on the recently purchased property.

The results from the market study are placed in a database that is analyzed to determine average market values for forestland classes in western Oregon for a given fiscal year. Economic and time series modeling is used to forecast forestland values for the coming tax year. Language that specifically addresses the economic modeling process and the role of the model can be found in OAR 150-321.207(1). The western Oregon forestland values are reviewed to apply Measure 50 limitations. This determines the preliminary values as of April 1 of each year.

Proposed forestland values are sent to the county assessors on or before April 1 of each year. Public testimony and comments are considered prior to the adoption of final values. The final values are produced on or before June 1 of each year to be used for the next tax year beginning July 1.

2D2. Special Assessment of Eastern Oregon Forestland (ORS 321.805 to ORS 321.855)

Eastern Oregon includes 17 counties: Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler.

Unlike western Oregon, there is no forestland site classification and all forestland is assessed at the same value in eastern Oregon. The exception to this is those properties assessed as Small Tract Forestland (STF).

The process of determining eastern Oregon forestland values is the same as the market analysis described for western Oregon above. See OAR 150-321.207(1) for language that specifically addresses the economic modeling process and the role of the model.

2D3. Small Tract Forestland (STF) (ORS 321.700 to ORS 321.754)

The valuation of land in the STF program is based on 20 percent of the results of the forestland programs, specific to western and eastern Oregon (ORS 321.722).

ORS 321.722 (2003 version) provided the assessed value per acre of small tract forestland for tax year beginning July 1, 2004. This was the lesser of 20 percent of the specially assessed value (SAV) of forestland or the value as follows:

Land class	Value per acre
FA	\$92
FB	\$73
FC	\$61
FD	\$52
FE	\$34
FF	\$25
FG	\$10
FX	\$ 1
Eastern Oregon	\$10

These values are the 'Maximum specially assessed value' (MSAV). This term is explained later in this chapter. The MSAV is limited to increasing a maximum of 3 percent per year (ORS 321.722(2)).

County appraisers should be aware that the MSAV for Forestland and the Small Tract Forestland Option are adjusted independently of each other from the Measure 50 limitations. The MSAV for STF properties is not exactly 20 percent of the MSAV for forestland properties in a given year. The MSAV for both programs is adjusted separately from the base value using a formula that does not increase the value by **more** than 3 percent in a given year. This requirement leads to a practice of "rounding down" the MSAV each year so as not to exceed this 3 percent limitation. Assessors should not try to "calculate" the MSAV for STF properties, but use the MSAV values the DOR produces.

2D4. Valuation of Certain Forested Land at a Farm Use Value (ORS 321.349)

This applies only to forestland in western Oregon.

The farm use value for agricultural land qualified for this special assessment must be based on land class irrespective of any vegetation cover. (OAR 150-321.349)

The process for this farm use valuation of these forest lands is described under ORS 308A.092. The value determined is based on an income approach. The Department of Revenue annually determines and certifies a capitalization rate to the county assessor. It is based on the rate of interest charged in Oregon by the Federal Farm Credit Bank system at the time of closing for farm properties. This certified rate will include a component for local taxes. The county assessors develop per-acre tables for each assessment year for each class and area for farm use valuation.

Values for farm use are determined on the basis of highest and best agricultural use, regardless of how the land is currently used and employed in agriculture. (OAR 150-308A.092(2))

Refer to DOR publication #150-303-422 *Farm Use Assessment Procedures*. The information can be found in the valuation section of the publication.

2D5. Farm Woodlot (ORS 308A.056 (3)(h))

Under ORS 308A.056(3) woodlots are treated as if the land is currently employed for farm use. Farm use is defined under ORS 308A.056(1). The values for farm use of farmland land shall be determined utilizing an income approach per acre, by agricultural land class and area (ORS 308A.092). To determine farm use value, look to the highest and best qualifying farmland uses defined under ORS 308A.056(1). Farm woodlot has a requirement that a maximum of 20 acres be allowed to receive farm use special assessment. The woodlot must be contiguous to and owned by the owner of the land specially valued for farm use.

See Farm Use Assessment Procedures for more information.

2E. Maximum Specially Assessed Value (MSAV)

MSAV is defined as a constitutional limitation on the taxable value of specially assessed property such as farm land or forestland. This value only relates to the specially assessed portion of a tax lot. It was first calculated for the 1997-98 tax year. It was calculated by using 90 percent of the 1995-96 specially assessed value. The specially assessed value is limited to a 3 percent increase for subsequent tax years.

The owners of 5,000 acres or more of forestland had the MSAV set in statute beginning 2003-04 tax year in the notes section of the 2001 edition of ORS 321.354. The owners of less than 5,000 acres of forestland had the MSAV set in statute beginning 2004-05 tax year in the notes section of the 2003 edition of ORS 321.722.

It is possible that a market study determines that the SAV of highest and best use forestland is below last year's MSAV. In that event, the MSAV would not drop, but the SAV derived from the market study becomes the assessed value. If, in the following year, the market study shows values that return to a level in excess of 3 percent from the previous year, then the values are limited to the MSAV established two years previous. The MSAV would again be limited by 3 percent for future value increases. The assessed value from one year to the next could possibly change more than 3 percent in this example.

3. Forest Use Mass Appraisal Procedures

The basic steps in the mass appraisal of properties that qualify for forest use special assessment include:

1. Classify the land
2. Apply certified values by land class
3. Compute values of the homesite and on-site improvements
4. Complete the valuation land card
5. Record the dwelling information on a "Residential Appraisal" card in the same way for any residential appraisal.

On all specially assessed forest land accounts, the value of on-site developments (OSD) are includ-

ed as part of the land value and will be listed as a separate item on the land record. (OAR 150-307.010(1) (2)(a)(B))

4. Appeals

Specially Assessed Forestland; ORS 321.219

Each year the Department of Revenue determines and certifies the per acre specially assessed values of forestland. The certified values are set on or before June 1 of the assessment year. Following certification, but before July 1 of the tax year, five or more owners owning in aggregate not less than 5 percent of the total forestland in a land market area may appeal any or all of the certified specially assessed values. For forestland valuation, eastern Oregon is a market area and western Oregon is a market area. Appeals are made to the Oregon Tax Court. Public notice of the appeal shall be made in each county having specially assessed values affected by the appeal. See ORS 321.219.

Jurisdiction of the Board of Property Tax Appeals (BOPTA); ORS 321.222

Any appeal of forestland value that does not involve an appeal of a specially assessed value

certified under ORS 321.216 shall be made to the board of property tax appeals. The action will be done as prescribed under ORS 309.100 (appeals of value by the county boards of property tax appeals).

BOPTA has the authority to:

- Hear appeals on the real market values (RMV) and maximum assessed values (MAV) the counties develop for all specially assessed lands.
- Hear appeals on the SAV of a specially assessed forest homesite.
- Hear appeals for designated and highest and best use forestland involving inaccurate acreage. (Note: the board cannot qualify new acres for special assessment.)

BOPTA does not have the authority to:

- Hear appeals of the special assessment qualification.
- Reduce the certified per acre specially assessed value (SAV) or the maximum specially assessed values (MSAV).

