

March 27, 2009

**Notice of Public Hearing on
Proposed Specially Assessed Values for
Oregon Forestland for Tax Year
July 1, 2009 - June 30, 2010**

The Oregon Department of Revenue will hold a public hearing to discuss the proposed specially assessed values of forestland for the 2009-10 tax year.

This hearing will be held at the **Revenue Building, 955 Center Street NE, Salem** on **April 16, 2009**. The hearing will begin at **1:30 p.m.** Any interested persons may attend the hearing and discuss the proposed values.

At the public hearing you will have the opportunity to:

1. Hear an explanation of the valuation process.
2. Provide oral and/or written testimony on the proposed specially assessed values, and
3. Provide any written information you may have regarding recent sales of forestland¹.

We invite you to respond to this notice by submitting written comments to the Department of Revenue **on or before May 1, 2009**. Be sure to include your name, address and a daytime phone number. You may send your response to:

Oregon Department of Revenue
Forestland Values
PO Box 14380
Salem, OR 97309

Visit www.oregon.gov/DOR/Timber/index.shtml for more information about forestland property taxes.

¹Due to the timing of the data gathering process, DOR may not be aware of some sales of highest and best use forestland that have occurred since June 2008. If you believe DOR has not included a relevant sale and wish to have it considered, please include date of sale and county and legal description of the sale location in order for DOR to verify the sales with county records.

Table 1.

PROPOSED
Specially Assessed Values of
Oregon Forestland

JULY 1, 2009 – JUNE 30, 2010

Western Oregon

Forestland Class	Forestland		Small Tract Forestland Option	
	2009 – 2010 MSAV ¹	2009 – 2010 SAV ²	2009 – 2010 20% MSAV ³	2009 – 2010 20% SAV ⁴
FA	\$ 537.30	\$ 836.00	\$ 106.63	\$167.20
FB	\$ 426.26	\$ 662.00	\$ 84.61	\$132.40
FC	\$ 356.99	\$ 555.00	\$ 70.69	\$111.00
FD	\$ 303.26	\$ 473.00	\$ 60.26	\$ 94.60
FE	\$ 201.76	\$ 314.00	\$ 39.40	\$ 62.80
FF	\$ 145.64	\$ 227.00	\$ 28.96	\$ 45.40
FG	\$ 60.88	\$ 97.00	\$ 11.56	\$ 19.40
FX	\$ 7.14	\$ 9.66	\$ 1.15	\$ 1.93

Eastern Oregon

Forestland Class	Forestland		Small Tract Forestland Option	
	2009 – 2010 MSAV ¹	2009 – 2010 SAV ²	2009 – 2010 20 %MSAV ³	2009 – 2010 20% SAV ⁴
Eastern Oregon	\$ 60.88	\$ 111.00	\$ 11.56	\$ 22.20

¹MSAV – Maximum Specially Assessed Value (per acre) (Measure 50)

²SAV – Specially Assessed Value (per acre) (ORS 321.207)

³20% MSAV – 20% Maximum Specially Assessed Value (per acre) – For use on qualified Small Tract Forestland Option properties (Measure 50)

⁴20% SAV – 20% Specially Assessed Value (per acre) – For use on qualified Small Tract Forestland Option properties (ORS 321.722)

Oregon Department of Revenue Forestland Appraisal Process
For Specially Assessed Value
July 1, 2009 to June 30, 2010

Oregon Department of Revenue (DOR) has completed the analysis for the Proposed Specially Assessed Value (SAV) for Oregon forestland. The forestland valuation process (OAR 150-321.207(1)) prescribes steps to develop preliminary forestland values that utilizes forestland sales data, a forestland model, and a straight-line trend of the average annual forestland values from 1993 through the current fiscal year.

Western Oregon

Forestland Sales Data. The annual average real market value per acre is calculated from sales transactions from 1993 – 2008 (Table 2). This represents the average value per acre for western Oregon forestland sold on the open market with the primary use of growing and harvesting timber. Due to the timing of the forestland valuation process, the sales data collected by the DOR for fiscal year (FY) 2009 only includes sales for the first half of FY 2009. The partial FY 2009 data indicates an average value of \$474 per acre.

Forestland Model. Since the FY 2009 average forestland sales value represents only a partial year of sales, the FY 2009 average value that is used in step three, the straight-line trend, is a predicted value using a forestland model.

The forestland model calculated a FY 2009 value of \$474 per acre which is the same value derived from the partial sales data for that year. The FY 2009 value was derived by analyzing the factors that best predicted the average forestland value from 1993 to 2008. Over 35 factors associated with the harvest of timber and the forest industry were evaluated including those related directly to timber production such as log prices and harvesting costs; industry-related factors such as producer price indices for commodities and contract logging; and other financial market data such as equity and bond indices and mortgage rates.

The FY 2009 model for western Oregon that best describes the variation in the forestland sales data from 1993 to 2008 has two average predictors.

1. Moody's BAA-Rated Corporate Bond Yield.
2. Producer Price Index for all commodities.

Trend of Average Annual Forestland Value. In order to decrease the variation in the year-over-year forestland sales values, a straight-line trend from 1993 to 2009 (FY 2009 uses the model-predicted value) is used to establish an annual average forestland value for 2009.

The result of this process is a January 1, 2009 average forestland value of \$483 per acre. This is 5% higher than the average forestland value that was the basis of the 2008-2009 Specially Assessed Forestland Values. The final step is the transformation of the \$483 per acre value into preliminary specially assessed values (SAV) for western Oregon forestland classes FA - FX (Table 1) using the western forestland class spread.

Eastern Oregon

The January 1, 2009 preliminary Eastern Oregon SAV is \$111 which is an increase of 6% over the previous year's SAV. The increase is based on the rate of change in a straight-line trend of Eastern Oregon forestland sales data from 1993 to 2008. The value was derived using the same process that DOR used for the past 4 years.

Table 2. Market Data Summary

Average Real Market Value (RMV) by Fiscal Year																				
Timberland Sales Transaction Date	Western Oregon																		Eastern Oregon	
	Forest Class FA		Forest Class FB		Forest Class FC		Forest Class FD		Forest Class FE		Forest Class FF		Forest Class FG		Forest Class FX		Average FA-FX (WAVWOR)		Average	
	Fiscal Year	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value	# Sales	Value
1993	\$ 369	0	\$ 275	12	\$ 318	5	\$ 201	4	\$ 183	0	\$ 142	0	\$ 25	0	\$ -	1	\$ 241	22	\$ 50	1
1994	\$ 426	1	\$ 310	14	\$ 302	20	\$ 196	10	\$ 146	4	\$ 158	3	\$ 25	0	\$ -	9	\$ 240	61	\$ 66	4
1995	\$ 312	2	\$ 321	7	\$ 269	11	\$ 290	2	\$ 219	0	\$ 126	3	\$ 25	1	\$ -	2	\$ 253	28	\$ 73	7
1996	\$ 455	2	\$ 396	9	\$ 381	6	\$ 369	2	\$ 292	5	\$ 189	0	\$ 25	1	\$ -	9	\$ 337	34	\$ 47	6
1997	\$ 450	1	\$ 316	5	\$ 293	5	\$ 325	2	\$ 292	3	\$ 253	2	\$ 38	0	\$ 25	2	\$ 293	20	\$ 73	5
1998	\$ 300	1	\$ 416	4	\$ 371	7	\$ 317	6	\$ 295	5	\$ 171	6	\$ 50	1	\$ -	2	\$ 324	32	\$ 83	6
1999	\$ 425	1	\$ 420	8	\$ 332	5	\$ 396	5	\$ 201	4	\$ 161	5	\$ 96	5	\$ 8	8	\$ 317	41	\$ 83	1
2000	\$ 518	6	\$ 477	15	\$ 308	13	\$ 270	20	\$ 236	10	\$ 160	13	\$ 164	3	\$ 4	12	\$ 310	92	\$ 66	8
2001	\$ 619	2	\$ 407	11	\$ 365	8	\$ 232	7	\$ 195	12	\$ 127	8	\$ 142	3	\$ -	1	\$ 299	52	\$ 132	6
2002	\$ 561	2	\$ 354	6	\$ 278	13	\$ 261	13	\$ 171	10	\$ 115	10	\$ 88	4	\$ 3	3	\$ 259	61	\$ 158	13
2003	\$ 515	2	\$ 496	6	\$ 401	9	\$ 292	3	\$ 210	4	\$ 200	1	\$ 100	1	\$ -	1	\$ 344	27	\$ 141	8
2004	\$ 576	2	\$ 535	7	\$ 414	10	\$ 295	5	\$ 267	6	\$ 253	2	\$ 115	2	\$ 4	5	\$ 372	39	\$ 141	14
2005	\$ 518	3	\$ 616	5	\$ 575	10	\$ 474	10	\$ 230	5	\$ 235	5	\$ 166	1	\$ -	4	\$ 461	43	\$ 181	5
2006	\$1,062	3	\$ 594	4	\$ 490	6	\$ 499	9	\$ 386	4	\$ 277	5	\$ 103	3	\$ 5	1	\$ 478	35	\$ 176	4
2007	\$1,064	2	\$ 727	7	\$ 514	15	\$ 497	10	\$ 262	7	\$ 250	2	\$ 113	2	\$ -	1	\$ 491	46	\$ 232	5
2008	\$ 989	3	\$ 634	4	\$ 565	18	\$ 483	2	\$ 346	4	\$ 308	1	\$ 191	2	\$ 3	0	\$ 504	36	\$ 400	1
2009	\$ 820	3	\$ 622	5	\$ 482	4	\$ 474	4	\$ 486	2	\$ 177	1	\$ 113	2	\$ -	0	\$ 474	21	\$ 172	6
Average RMV	\$ 587	36	\$ 466	130	\$ 392	165	\$ 345	114	\$ 260	85	\$ 194	67	\$ 93	31	\$ 3	62	\$ 353	690	\$ 134	100
% Sales W.OR		5.2%		18.8%		23.9%		16.5%		12.3%		9.7%		4.5%		9.0%	100%	690		
2009 Model																	\$474			
2009 Straight-line trend																	\$483		\$208	
Western Forestland Class Spread	3.2%		20.3%		30.2%		17.1%		15.1%		10.1%		3.5%		0.5%		100%			

* WAVWOR is the acreage Weighted Average forestland value for Western Oregon