



Oregon's tax credit for landowners who establish forests on underproductive lands

Underproductive Forestland Conversion Tax Credit

July 2008

Oregon landowners who establish forests on underproductive lands may qualify for a tax credit of up to **fifty percent** of eligible forest establishment expenses from the landowner's Oregon personal income tax or Oregon corporate income tax. This fact sheet also includes the application form for the tax credit and instructions.

ELIGIBILITY REQUIREMENTS

- You must own or lease at least 5 acres of land in Oregon capable of growing a commercial forest. This includes acreage you want to plant such as brush stands or pastureland.
- Costs must be **reasonable**. Financial assistance received from any federal, state or other incentive program will be deducted from total costs before calculating the tax credit.
- You must pay the application fee in effect on the date the **preliminary** certificate is filed. Effective September 1, 2008, the application fee is \$400 for any preliminary certificate filed on or after that date. **The fee is nonrefundable; there is no fee for final certificates.** The State Forester may change the fee periodically.
- You must have **approval by the State Forester prior to combining multiple project areas** on one preliminary application.
- You may not claim this tax credit to grow Christmas trees. Also, you may not claim this tax credit to comply with the Oregon Forest Practices Act unless your project meets the definition for hardwood conversions.

Your business status may be:

- Any private individual
- Partnership
- Corporation
- S Corporation
- Other legal entity that pays income tax

ELIGIBLE EXPENSES

Eligible expenses are for activities approved by the State Forester. The following activities may apply toward your tax credit as they relate to plantation establishment:

- Site preparation
- Trees and planting
- Release from competing vegetation
- Conservation of soil moisture
- Animal damage control
- Employed labor and supervision
- Equipment operating costs
- **Application fee for projects planted on or after January 1, 2008**

*Personal labor by the taxpayer is **NOT** an eligible expense. All eligible costs must be reasonable as determined by the State Forester.*

Questions about the tax credit program?
Contact your local Oregon Department of Forestry office listed on page 4 for assistance.



Oregon Department of Forestry

Private Forests Division

privateforests.oregon.gov

Before the Project Begins. . .

Contact the stewardship forester serving the county where your land is located for technical assistance and to ensure your proposed project is eligible for the tax credit. Department addresses and phone numbers are provided on page 4.

Perform the work to afforest your underproductive

forestland. Keep good records of all expenses associated with the project, even if incurred in different tax years.

To Claim the Preliminary Credit:

- ◆ When the project is completed, fill out the taxpayer's part of the preliminary certificate (See page 3). **Indicate the tax year, which is the year the trees were planted.** Itemize by activity. For line A, summarize the total project cost, deduct payments by incentive programs, if any, and determine the net cost. The preliminary tax credit is **25%** of this figure and shown on line B. Sign and date the certificate. Attach a check or money order (payable to "State Forester" in the amount of **\$400**) and a project map for each project area to a copy of the signed certificate. Please note multiple project areas must be approved by the State Forester prior to application. Mail these to: Oregon Department of Forestry, Unit 12, PO Box 4395, Portland, OR 97208-4395. The stewardship forester will visit your project within 45 days. If your project qualifies for the preliminary tax credit, **your costs appear reasonable, the application fee is paid and the annual limit has not been exceeded**, the stewardship forester will sign the certificate and provide you with two copies. Keep one copy for your Oregon tax records.

To Claim the Final Credit:

- ◆ After your planted trees have survived at least two growing seasons and meet the definition of successfully established, fill in the taxpayer's part of the final certificate. Do this on the lower portion of one of the copies of the approved preliminary certificate you received. **Indicate the tax year the final credit will be used.** (See "When to Claim".)
- ◆ Itemize the costs, by activities that have occurred since you filed the preliminary certificate. For example, if you spent an additional \$1,000 to interplant seedlings, indicate amount. For line C, summarize the total maintenance costs, deduct reimbursements from incentive programs, if any, and determine the net maintenance cost. For line D, multiply line C by 50%. For line E, final tax credit, add lines B and D. Sign and date the certificate and forward to the stewardship forester serving the county where your project is located. **There is no fee for the final certificate.**
- ◆ The stewardship forester will again visit your project within 45 days. If your project qualifies for the final credit and your costs appear **reasonable**, the stewardship forester will sign the certificate and provide you with a copy for your Oregon tax records.

Is There A Catch?

If the new forest is not established for reasons within your control, you must repay the preliminary **25%** received. If the forest is not established due to causes beyond your control, such as fire or drought, you don't repay the preliminary **25%** credit. However, you may not claim the remaining 25% final credit. You may reapply for the tax credit in areas where afforestation is not established, however you will pay an additional application fee.

Definitions

Commercial forestland

Land for which the primary purpose is the growing and harvesting of forest tree species. The land must be capable of growing at least 20 cubic feet of wood per acre per year. OAR 629-23-420(2); 440(1).

Underproductive forestland

Commercial forestlands that do not meet the minimum stocking standards of the Oregon Forest Practices Act. ORS 315.104(8).

Hardwood conversions

The harvest of stands in which significant commercial value is not present. OAR 629-23-420(4); 440(2).

Completed project

The project is completed when the required minimum number of acceptable seedlings, as defined under the Oregon Forest Practices Act, has been satisfactorily planted. OAR 629-23-450(1).

Successfully established

A minimum number of planted seedlings must be living without other vegetation (grass, brush or competing trees) growing around or over them at the end of two growing seasons. OAR 629-23-460(1).

Tax credit application fee

A **nonrefundable** fee paid to ODF at the time the **preliminary** credit is filed. Fees are changed periodically as determined by ODF. OAR 629-23-0410(4).

When to Claim

Preliminary credit – Claim one-half the credit (25%) for the tax year trees are planted.

Final credit – Claim the balance of the credit (25% of the costs plus 50% of any additional maintenance costs) for the tax year the trees survived at least two growing seasons.

Carryover

The credit cannot exceed your tax liability. Excess credit may be carried forward and used in the next three years. If the excess is not used within three years, it is lost.

Annual Limit

Pursuant to ORS 315.108 the annual statewide limit is \$3.5 million for all project costs on preliminary certificates issued by the State Forester for the calendar year.

Please ✓ INDIVIDUAL PARTNERSHIP CORPORATION S CORPORATION

Name		Social Security No. or Employer ID No.		
Address		Phone No.		
City	State	Zip Code		
Sec.	Twp.	Rge.	Tax Lot No.	County

Provide project map

PRELIMINARY CERTIFICATE FOR TAX YEAR 20__ (Must be the same year trees planted)



OREGON DEPARTMENT OF FORESTRY
 UNIT 12
 PO BOX 4395
 PORTLAND, OR 97208-4395

FEE IS NONREFUNDABLE

Activity	Treated Acres	Date Completed Mo/Yr	Activity Cost		
1. Site Preparation					Dept. Use Key No. _____
2. Trees & Planting					1.
3. Release					2.
4. Moisture Conserv.					3.
5. Animal Control					4.
6. Other (specify)					5.
7. Application fee – all preliminary credits must pay the current fee.	NA	Only projects planted 1/1/08 or later may include the fee as a cost.	\$400 or \$0 (for projects planted before 1/1/08)	Total Payments by Incentive Programs	6.
				Net Cost	7.
A. Total project cost				\$ _____ - \$ _____ = \$ _____	Date Accepted
B. 25% of line A, Net Cost (Preliminary tax credit amount)				\$ _____	

The land within the project area, as described above and shown on the attached map, will be used for the primary purpose of growing and harvesting trees of an acceptable species. I am aware that certain maintenance practices, including release, may be needed to ensure that the new forest will remain established. I declare under penalties of false swearing that the above statements are true.

Taxpayer's Signature	Date
This is to certify that the State Forester, pursuant to the provisions of ORS 315.104 has examined the herein described lands and determined that the forestation project was completed on underproductive forestland within the specifications of OAR 629-23-410 through 629-23-450 and the costs are reasonable.	
Marvin D. Brown, State Forester	
Stewardship Forester's Signature	Date

FINAL CERTIFICATE FOR TAX YEAR 20__ (The tax year the credit will be taken)

PLANTATION MAINTENANCE COSTS – There is no fee for the final credit.

Activity	Treated Acres	Date Completed Mo/Yr	Activity Cost		
2. Trees & Planting					Dept. Use Approved
3. Release					2.
5. Animal Control					3.
6. Erosion Control					5.
Other (specify)					6.
C. Total Maintenance Cost				\$ _____ - \$ _____ = \$ _____	Other
D. 50% of line C, Net Cost				\$ _____	
E. Sum of lines B and D (Final tax credit amount)				\$ _____	

Taxpayer's Signature	Date
I declare under penalties of false swearing that the above statements are true.	
This is to certify that the State Forester, pursuant to the provisions of ORS 315.104 has examined the herein described lands and determined that the forestation project was completed on underproductive forestland within the specifications of OAR 629-23-460 and the costs are reasonable.	
Marvin D. Brown, State Forester	
Stewardship Forester's Signature	Date

What your appeal rights are

The State Forester is appeal able as outlined in OAR 629-23-490. The first step is a statement in writing to your local stewardship forester explaining why you disagree with the State Forester's decision. For more information, contact your stewardship forester for a copy of the Tax Credit Administrative Rules that outline the appeal process.

The Department of Revenue is appeal able in the manner provided for in ORS 526.475(2). Appeals are first made to the Department of Revenue with subsequent appeals to the Oregon Tax Court. Letters requesting an appeal should be written to the Department of Revenue, 955 Center Street NE, Salem, Oregon 97310.

Need more information

including the current application fee, please visit

http://egov.oregon.gov/ODF/PRIVATE_FORESTS/cslst.shtml#Tax_Credit

Or contact the Oregon Department of Forestry at the following county locations:

Baker	2995 Hughes Lane Baker City, OR 97814 541/ 523-5831	Hood River	3701 W 13 th Street The Dalles, OR 97058 541/296-4626	Multnomah NW of Port	405 E Street Columbia City, OR 97018 503/397-2636
Benton	24533 Alsea Hwy Philomath, OR 97370 541/ 929-3266	Jackson	5286 Table Rock Road Central Point, OR 97502 541/664-3328	Multnomah East	14995 S Hwy 211 Molalla, OR 97038 503/829-2216
Clackamas	14995 S Hwy 211 Molalla, OR 97038 503/829-2216	Jefferson	3501 NE 3 rd Street PO Box 670 Prineville, OR 97754 541/447-5658	Polk	825 Oak Villa Road Dallas, OR 97338 503/623-8146
Clatsop	92219 Hwy 202 Astoria, OR 97103 503/325-5451	Josephine	5375 Monument Dr. Grants Pass, OR 97526 541/474-3152	Sherman	3701 W 13 th Street The Dalles, OR 97058 541/296-4626
Columbia	405 E Street Columbia City, OR 97018 503/397-2636	Klamath	3200 DeLap Road Klamath Falls, OR 97601 541/883-5681	Tillamook	5005 E. 3 rd Street Tillamook, OR 97141 503/842-2545
Coos	63612 Fifth Road Coos Bay, OR 97420 541/267-4136	Lake	3200 DeLap Road Klamath Falls, OR 97601 541/883-5681	Umatilla	1055 Airport Road Pendleton, OR 97801 541/276-3491
Crook	3501 NE 3 rd Street PO Box 670 Prineville, OR 97754 541/447-5658	Lane E. of I-5	3150 Main Street Springfield, OR 97478 541/726-3588	Union	611 20th Street La Grande, OR 97850 541/963-3168
Curry	63612 Fifth Road Coos Bay, OR 97420 541/267-4136	Lane W. of I-5	PO Box 157 Veneta, OR 97487 541/935-2283	Wallowa	802 West Hwy #82 Wallowa, OR 97885 541/886-2881
Deschutes	3501 NE 3 rd Street PO Box 670 Prineville, OR 97754 541/447-5658	Lincoln	763 NW Forestry Road Toledo, OR 97391 541/336-2273	Wasco	3701 W 13 th Street The Dalles, OR 97058 541/296-4626
Douglas	1758 NE Airport Road Roseburg, OR 97470 541/440-3412	Linn	4690 Hwy 20 Sweet Home, OR 97386 541/367-6108	Washington North	405 E Street Columbia City, OR 97018 503/397-2636
Gilliam	PO Box 546 John Day, OR 97845 541/575-1139	Malheur	PO Box 546 John Day, OR 97845 541/575-1139	Washington South	801 Gales Creek Road Forest Grove, OR 97116 503/357-2191
Grant	PO Box 546 ^h John Day, OR 97845 541/575-1139	Marion	22965 N Fork Rd SE Lyons, OR 97358 503/859-2151	Wheeler	PO Box 546 John Day, OR 97845 541/575-1139
Harney	PO Box 546 John Day, OR 97845 541/575-1139	Morrow	PO Box 546 John Day, OR 97845 541/575-1139	Yamhill	801 Gales Creek Road Forest Grove, OR 97116 503/357-2191