Pursuant to public notice made by news release with statewide distribution, a committee meeting of the Committee for Family Forestlands [an advisory body to the Oregon Board of Forestry with authority established in Oregon Revised Statute 527.650] was held on Wednesday, April 17, 2013 at the Oregon Department of Forestry, Operations Building D, Santiam Room, Salem, Oregon.

Committee members present:

Craig Shinn, Chairman
Rick Barnes, Voting
Roje Gootee, Voting
Mike Cloughesy, Ex-Officio
Jim James, Ex-Officio
Sarah Deumling, Voting
Sara Leiman, Voting
Joe Holmberg
Lena Tucker, Secretary
Brad Withrow-Robinson, Ex-Officio
Scott Gray, Voting
Susan Watkins, Voting

ODF staff present: Guests:
Peter Daugherty Doug Decker, State Forester
Cynthia Orlando Paige Fischer, WWETAC, USFS
Susan Dominique Doug Schmidt, Polk County Assessor
Norm Miller Linc Cannon, OFIC
John Tokarzyk Vic Shuck, Rush Creek Ranch
Jim Cathcart

Call to Order
Chair Craig Shinn called the meeting to order at 9:05 a.m. Craig asked to suspend the normal order of business to honor Doug Decker’s schedule and willingness to address the committee.

1- Legislative Update – Doug Decker/Peter Daugherty
Doug and Peter stopped by to give the committee an update on the Ways and Means Natural Resources Subcommittee hearings going on this week. Things are going very well. Presentations began with an overview of the organization, our issues, a business overview and how we deliver that for the state. In advance of these hearings Doug met personally with all legislative sub-committee members. Members of the committee are: Sen. Chris Edwards, Rep. Ben Unger, co-chairs; Sen. Jackie Dingfelder, Rep. Jules Bailey, Sen. Chuck Thomsen and Rep. Bruce Hanna. He expressed that it has been a good group to work with. The Private Forests presentation was the first day (April 15) and had excellent reception by the subcommittee. The members recognized the re-building of the Private Forests program facilitated by the funding success at the last budget session. There was a lot of interest in the notification process upgrade. Legislative committee members did express a heightened concern over the risks to our forests from land use conversions, urban growth boundaries and higher risks for family forestland non-
industrial owners. Most private timber is in developable areas. They had real interest in receiving data on those areas given that 300,000 acres of forest are within the urban growth boundaries and 1.8 million acres are within 1 mile of development. Note was made to provide the “Farm, Forests and People” resource publication done by Gary Lettman. The sub-committee had a conscious-raising on the issue of family forestlands.

State Forests presented on Day 2 (April 16) of the hearings discussing reduced harvest levels. Including the loss of positions due to reduction in harvests. Some of these reduction were attributable to the Elliot State Forest litigation for alleged violations of the endangered species act by the take of Marbled Murrelet habitat, which has enjoined 11 timber sales. Contributions to the Common School Funds for the coming fiscal year will be net zero. So reductions in operating expenses were required in the Coos District. It’s a tough spot to be in particularly considering the condition of the log market. There was a beginning of a conversation on a re-do of the Oregon Forest Management Plan to change the approach to provide for land allocations for harvest and conservation. This would be ready for presentation at the next legislative session. The BOF has carved out time in the near future to focus on State Forests topics. Financial viability, principles and active management processes that would be associated with a new Forest Management Plan. ODF would stay focused on these lands for highest permanent value. It was a very positive discussion.

Day 3 (April 17) The Fire Program presented to the subcommittee and briefed the members on the Wildfire Protection Act, its importance and working attributes. The presenters compared suppression history when we could keep fires small what impact that had on dollars spent.

Day 4 (April 18) was reserved for public testimony. We will be there to respond to questions. Testimony from our supporters will defend the case for our budget and requested positions. We are optimistic as we have strong relationships particularly with rural legislators. Jim James will be testifying for OSWA and asked about talking points to include.

POPS: There are 11 Policy Options Packages (POPS) in the Governor’s Budget. Peter provided a breakdown of the POPs and position authority requested and the search for a new source of cost-share for family forestlands by providing that technical assistance. POPS include continuing ODF share of Trask Paired Watershed Studies.

Jim James: Three OSWA members will testify tomorrow. Jim asked Doug what points should be stressed?

- Doug answered that the requested budget is for $314.3 million and 352 FTE positions. That it will be helpful to recognize that funds are a re-investment. Ways the program re-build has improved service; the important of providing continuity of support to landowners to retain the integrity of the program at the field level and support at the field level, the boots on the ground. Being able to get underway with the Compliance Audit.

- Also to endorse fire patrol relief in Eastern Oregon as investment in forests is a business proposition for the state. They will be holding a separate discussion on the Wildfire Protection Act (HB 2050) and moved the hearing to early May because of scheduling. We have to present the business proposition to get investment in forests.
• Peter: One other note; the required Efficiency and Effectiveness Review and Electronic Notification Processing is important to Senator Dingfelder, so relating information regarding the increase in inspections and field time is important to mention. Staff have told the Subcommittee about the increased inspections and additional time in the field and testimony verifying that would be helpful.

Question was posed as to the status of the Murrelet lawsuit.

Doug: The case is in Judge Ann Aiken’s Federal Court in Eugene. We have been asked to join in mediation with the plaintiffs and the interveners the end May. Mediation is just a part of the Alternative Dispute Resolution process that Judge Aiken has every case go through. If the effort is not satisfactory the case would move to trial in 9 to 12 months.

Peter: Regarding the NEDC lawsuit. The Supreme Court issued a ruling in ODF’s favor. There has been an opinion but not a decision. We are waiting for the final judgment. 7 concurred with the decision and 1 dissented. They overturned the 9th Circuit Court decision that storm water discharge from logging roads is industrial pollution, ruling that the EPA’s interpretation of its own rules was reasonable and road runoff does not require a non-point source permit. It was a great win for the state. The Supreme Court highlighted that ODF’s best management practices are what was intended under the storm water rule. We need to continue to ensure our BMPs are working in relation to our FPA road rules. The Agency’s interest is in maintaining Oregon regulatory framework with the BOF setting the policy rather than using a permitting process through EPA. EPA and ODF share a similar commitment to protecting the waters of the state. Though the Supreme Court clearly overturned the 9th Circuit Court but did not make it mute. So we are still in district court in a stay in proceeding and have extended that stay. Plaintiffs will probably follow up with the EPA.

Rick: When the Board considers looking at the State Forest Program developing a updated management plan to potentially create bigger reserve areas, they should proceed with caution.

Doug: It’s a watch out situation, if you have conservation emphasis and wood emphasis does that mean that the wood emphasis part is not done with conservation in mind? Be mindful of the sideboards, it’s a legitimate and important use that the purpose of these lands is to provide revenue (40mil/yr to counties) and that will be very clear. The political, financial, forest management sustainability have to be brought together. I clearly hear your watchout. The Forest Trust Land Advisory Committee advises the Board statutorily and understands that and will be directly engaged as we figure it out.

Craig: Thanks Doug and Peter. Peter reminded members about the BOF Meeting and Tour in LaGrande in July and extends a welcome to the members.

Joe H: Jamie Knight ODF NEO district – was recognized as the Western Regional Tree Farm Inspector award winner. She is now one of four in the country competing for National Tree Farm Inspector of the Year in Minneapolis.

2 – Review of the Agenda

Craig: Lunchtime will be used to discuss questions for the tax panel.
• SB401 – Wild and Scenic rivers bill had a hearing on regulatory authority within a ¼ mile of the water. Currently it is not moving forward however a committee will be formed to review the legislation for the future. This in effect would list every water body to be considered waters of the state. CFF should be interested. OSWA plans to be engaged. (Craig: CFF will put on future agenda.)

• May agenda tax segment will include Clint Bentz and Dallas Poge regarding estate taxes and succession planning.
• Addition of discussion of potential testimony.

**Approval for the Minutes**
Susan Dominique reported edits made to the tax discussion section after review by Sara Leiman. Brad had changes to clarify but no significant change in meaning. Motion for Acceptance of Minutes with edits, Motion called by Sarah Deumling; Sara Leiman seconded approval with edits. All in favor, none opposed, and Susan Watkins abstained because she didn’t attend the last meeting.

**3 – Public Comment**
No comment offered.

Potential testimony at the Subcommittee hearing:
Members discussed availability or the potential to provide written testimony. Susan volunteered to deliver the written testimony.
OSWA attendees will be Scott Hayes, Mike Barsotti and Mike Barnes.

*Action Item*: Craig and Susan W. will compose written testimony from CFF with the following key points:
• Appreciation for reinvestment in and support for maintaining the investment of the Private Forest program;
• Examples on the ground where this has benefited family forestland owners;
• Support for the Wildfire Protection Act;
• Importance of natural resource agencies and the disproportionate amount of general funds they receive;
• Family forestland owners provide many statewide benefits and affect many Oregonians in terms of business and maintaining the vitality of forests;
• Support the 50/50 split for wildfire funding and 60/40 split for the private forests program.

Lena and Susan D. will prepare 12 copies for Subcommittee members and Susan Watkins will deliver.

**BREAK**

[Handouts: Risk and Cooperation PowerPoint; Risk and Cooperation Abstract; Forest Policy and Economics Article; PF Owners and Hazardous Fuels Reduction one pager]

Paige provided background on the study that she and Gary Lettman cooperated on together. She was happy to have an opportunity to return to ODF and provide their findings. She researched how society adapts to environmental change and people’s response to risk. Wildfire risk on the eastside provided a
good sample situation to explore, including interactions between neighbors and community collective action. She defined collective actions as “actions too great for any one individual to accomplish”. This study focus was on the family forestland owners perceptions of fire risk and corresponding actions within the community to mitigate that risk through active forest management.

Questions researched were:
1. How family forest owners view fire and fire risk
2. Owners levels of forest management
3. Cooperation with public agencies and other owners
4. Influences on action
5. Implications for policy

Her presentation centered upon risk perception as a important factor in compelling collective action. Perceptions are always either cognitive, social or cultural and generally discount the risk of future events. Perception begins with awareness, knowledge of potential effects, probability and the ability to control outcomes. Cooperation can achieve more than individual efforts.

Respondents were asked about their concern about fire hazards on their property, nearby public lands, nearby private lands, direct experience with fire on property and general awareness of fire ecology.

Concern among small landowners about fire risk was:
- Twice as high regarding habitat;
- Three times as high if primary residence was involved;
- Four times higher if they belonged to a forestry-related group.

70% of landowners in the study treated acreage to reduce fire risk through: timber harvesting, Firewise programs, mechanized thinning, tree cultivation and grazing. In general, landowners cooperated with public agencies in prescribed burns and thinning but not with one another as neighbors. Risk perception didn’t seem to explain the lack of cooperation between neighbors.

There were four main themes seen as barriers to cooperation: lack of social contact (geographical isolation); lack of economic dependence on the land, conflicting personal values and understanding of risk, and social norms regarding property. Formal exchanges (entailing terms and commitments) were more accepted than Reciprocal exchanges where there was no contract and agreements were based upon relationships and trust. Willingness and legitimacy must be established for people to accept cooperator’s decisions and willingness to abide by expectations.

Neighbors don’t want to meddle in other neighbors affairs, so facilitating cooperation is difficult without common understanding, membership in a common social group and legitimate leadership (administration).

Paige concluded that there were informal models for cooperation such as voluntary planning groups, “over the fence discussions” and facilitation by public spokesman. Any social exchange is risky. People tend to cooperate when reacting to a event but not proactively if needs are not perceived and agreed upon. Formal models included incentive programs, collaborative groups and landowner cooperatives. An interesting note was a suggestion that operators or consultants could prove to be a facilitating factor in connecting neighbors on projects when landowners shared a common operator.
Susan W.: People in a community generally share with each other their experiences with service providers and contractors so that could be seen as a good starting point in establishing trust.

Paige: Strategically reaching out to operators, or for example focusing on specific sub-basins of NRCS areas would be complimentary to other efforts.

Sarah: Asked for examples of working cooperation.

Paige responded that there is very little seen except where there is formal funding and administration, such as cooperative prescribed burns with adjacent public land managers.

Craig: Asked about other types of cooperative situations such as with livestock and added that the “fire out” expectation (i.e. that ODF will put out fires before they reach 10 acres) may be limiting perceptions on mitigation.

Paige: Also smaller ownerships have difficulty financially doing the work.

Mike introduced the CFF MFJD Private Land Collaborative concept and its goal in improving cooperation across the landscape. Craig said that Paige’s presentation was perfectly timed to provide valuable insight to the Pilot efforts. Paige responded that she would be happy to assist the committee in drawing from her work for those purposes.

**Action item:** Jim requested copies of the Executive summary and academic papers of Paige’s presentation to put some of the information in the OSWA newsletter.

**BREAK**

5 – **MFJD Private Forestlands Collaborative Update – Roje Gootee/Mike Cloughesly**

Roje began with a quick review of the history of the pilot concept. Spatial issues on the eastside create problems with mill access and the ability to attract operators to do work because the scale is limited. One of the obvious solutions is to bundle efforts with landowners working cooperatively together to change the issues of scale. We have identified interest in the Ritter area of the Middle Fork of the John Day River. A predictable core group of interested landowners continues to evolve. There was an invasive project several years ago in the same area which brought some of the landowners together targeting and treating the invasive species. This shows how a small investment of time and effort can snowball engagement with other neighbors. There is a lot of potential to grow a forest collaborative similarly.

Roje, Craig, Brad and Mike traveled to John Day to meet with ODF folks and other interested agencies. The Monument Soil and Water Conservation District was not able to attend but did express interest. The results of the meeting covered several focal points:

- **Primary sources of funding:** EQUIP, NRCS and larger collaborative grants.
- NRCS directs monies primarily toward fuel reduction and invasive weed management. They are also looking for projects with adjacency to Public Lands. So we are looking to expand the project area to include other ownerships and neighbors with that adjacency that will help us better meet NRCS requirements.
We learned more detail on other collaborative efforts going on in the area, although there were no other forest efforts.

Paige’s presentation today highlighted the personal values involved in participation and why some landowners haven’t joined in as of yet. We identified technical and educational assistance needs. There was unsurprising interest by the landowners in cost-share funding. Financial need is high because of the isolation of the area for hauling costs, etc. The main draw to landowners is the prospect of funding support.

The emerging understanding is that we will need a loose definition with the concept of cooperation. Many of the landowners are interested in engaging in this cooperative from the viewpoint of being an individual landowner interacting with a network of agencies. Some are primarily interested in wildlife habitat restoration. In general, landowners understand the landscape scale management concept but don’t seem likely to work together personally. There are pods of landowners that will work together and others will maintain the ‘island’ mentality until on the ground observations produce trust in the effort.

We need to begin to think about formal vs. informal commitments. Do we get people to sign up? If so we need to draft a charter so expectations are understood. How much flexibility do we need to work into the charter?

Craig: Its important to clarify there was some polling at the meeting on the level of interest. Critical participants expressed positive interest. Was the number sufficiently on board that the project is worth pursuing? Yes. We should proceed. But mediating the relationships will be important.

Brad: Roje added some notes as well as Mike, not all comments were captured.

Mike: One goal was to get buy-in and the other to get more meat on the bones, on technical, educational and financial assistance needs. One of the keys is how we are going to do Governance and administration.

Norm and Lena brought up another grant opportunity with potential to fund the governance.

Mike: Another Grant opportunity has come up. Called Conservation Partners Grant (cooperative between the NRCS and National Fish and Wildlife Foundation). These are federal dollars to help achieve the wildlife goals of the Farm Bill up to $250,000/2 years. It is targeted at specific goals but two areas related to wildlife would help the fit with our geographic area:

1. Sage Grouse – From the removal of juniper which will improve grouse habitat.
2. Pacific Salmon – Not just focused on streams themselves but upland forest health and fire resiliency improvements to improve stream conditions and habitat.

We could put in for the 2 year grant for project administration. The project could be administered by ODF in the EO John Day unit and could be our governance. The State and Private is mostly seen as technical or educational assistance. When we ask for NRCS and if we go for a CIG it would mostly be for on the ground financial assistance. We have 4 legs of the stool and could be using three different funding models. We don’t have to win on all our bets. But we need to act fast. Conservation Partners terms call for pre-proposal due by April 23rd. Norm Miller has a pre-proposal already drafted using information we already provided. Full blown proposal is due in June. This might work out with our other timelines. If pre-proposal for State and Private is accepted by ODF, then we will be asked to have a final proposal around September.
Norm: Timing, with this potential Conservative Partners Grant, if we do our real proposal in June they will evaluate, make their selection and let us know in August which ties in well with other grant applications. We may know if we get one before we know if we got the other. We’ve been working with USFS for many years, and we are not required to have a NEPA analysis for projects on forestland. There is a real close tie between NRCS and the National Fish and Wildlife Foundation. Its NRSC money with grants administered through the foundation. With potential EQUIP funds there is a limit to what any one landowner can receive at one time. We want to ensure by using NRCS money we aren’t limiting the EQUIP funds.

Mike: If we receive money to have ODF be our administrator, another decision is how the governance will work. Perhaps we can subcontract with the North Fork John Day Watershed. But, we don’t have to have it worked out in advance.

Craig: What are your perceptions regarding the National Fish and Wildlife restrictions with their funding?

Roje: There is not a lot of Sage Grouse habitat to deal with in the project area, but the potential effect to salmonids fisheries are a big factor in the Middle Fork basin. One of the things is that NRCS offered was that they are looking for a new focus group within Grant County for forestry projects. What they recommended we do is to have some of the participating landowners apply for some non-collaborative grants to show their interest for work to be done in the next 12 months. Local conversations have begun to encourage that process. We want to ensure the landowner NRSC limits aren’t overloaded. The EQUIP money is separate from the CIG money, but we need to check formally.

Mike: Is this something we want to do, or is it happening too fast?

Roje: To dally would be to lose credibility, we should continue. Landowners will be ready to offer projects. Allow the more cautious landowners to be cautious. Reluctant landowners may become more comfortable over time.

Craig: When we are packaging this we need to set up a charter that talks about governance pretty quickly.

Mike: Pacific Coast Salmon? What other groups are likely to be applying? We could just ask for all of it.

Craig: Where do the rest of you stand?

Susan W: Does it seem funny to apply for administrative dollars when the other grants aren’t completed yet?

Mike: We can still go forward. We need to develop the scope to determine administration.

Sarah/Rick: Go.

Sarah: Avoid the perception of top heaviness, emphasize the work on the ground.

Craig: We need to have responsiveness from and to all parties.
Cynthia volunteers to assist Roje in some additional PR and outreach materials to landowners.

Mike: Communication is very important.

Roje: Most meetings will be done remotely. Written communication will be the core.

Mike: After listening to Paige, Brad and I would like Paige’s involvement. Joe also mentioned he can put into Tree Farm for $10,000 grant. What can we do? We know a lot about management planning at the landowner level but not a lot about management planning on a landscape level. With Tree Farm having supporting the Uniform Plan there is an opportunity to put in a grant to figure that out.

Joe: One of the two things is invasives, at AFF there is a new campaign on invasives, “Free the Trees” which ties in nicely.

Jim Cathcart: I think the angle of management planning on the landscape context needs to go into the competitive grant proposal. Nationally, this is the big rock right now. The Uniform Plan work will support work in meeting landscape goals. This will resonate with other efforts. Oregon can figure it out for the Western Region.

Craig: Let’s summarize where we are:
- Charged Mike and Norm with pre-proposal of National Fish & Wildlife Grant.
- Joe to get information on the Tree Farm Grant for potential to add to project funding.
- We may need to meet in August to follow up on grant timelines. Create a working vehicle for August. We usually don’t meet in July, as we go to the Board with our Report.
- Cynthia helping with communication plan and content.
- Landowners need to be the center and facilitated by agencies providing structure.
- Already moving on Western States Competitive Grant. Pre-proposal will be ready in May including developing budget.
- Need to move forward with the notion of a Charter. The Charter Group should also work on governance. (Susan W., Lena, Craig, Brad, George Ponte)

Mike: The charter should help get buy-in from landowners.

Craig: Thank to Roje and Mike and Brad for travelling to the stakeholders meeting and representing the committee.

Lunch Discussion - Summary of Tax Issues – Craig Shinn

Craig asked the committee members what take-aways they gleaned from previous panel discussions. Responses were as follows:

- Key categories and compilations of the history of taxation.
- That no one agency was responsible for tax education. Extension/ODF/DOR were not doing it.
- Questions on the clarity and correctness of certain points provided at the last meeting.
- Intended and unintended consequences of tax policy on forest ownership.
- Is the legislature really considering a Severance tax again?
• How fragile our understanding our tax system is with expertise very slim.
• Each county assessor looks at tax assessment differently. No statewide coordination.
• The complexity and effects of tax programs. Example of Measure 50 implementation.
• That it could be good to have two tiers of forestland assessment.
• That there needs to be analysis to the public versus private benefits and what incentives are needed to produce business.
• Tension around exemption for forestland and the acreage size that is eligible. Small tract option was never intended for a landowner with a forest in his backyard to get a big tax break. But there could be an advantage to keeping the small acres of forest in the urban areas.
• That the small 2 to 5 acre tracts in deferral don’t individually make a difference but multiply that by 10,000 makes a tremendous difference.
• Tax benefits/assessment influence people’s behavior.
• Tree harvests may be incidental to other uses for some landowners for the commercial definition.

Craig: Our understanding of tax issues is not very comprehensive – issue expertise lies in a few individuals so our ability to gather the information on paper and create a framework will be a valuable contribution.

6 - Forestland Tax Discussion - Doug Schmidt, Polk County Assessor
[Handout: Notes on qualification/disqualification, history, application samples, tree stocking guide, resources]Note: Jim Noyes is mentioned on Wildlife application please request permission to circulate.

Doug: Assessors administer several programs, one of which is the Forest Deferral. The deferral can be established for lands that didn’t have timber before or ownerships with established forest inventory. ODF verifies free-to-grow.

(Doug had trouble finding a good history on forestland taxation but included information from Revenue site.) At present we do not tax the timber (its considered a crop), just the land that is underneath it. Value = land not timber. Most are not planting for commercial purposes, but to take advantage of lower tax rates. There are 5 kinds of special assessment that deal with forested land:

1. Highest/Best Use forestland – no application process, designation is at the assessor’s discretion. (If not buildable.)
2. Designated Forestland Special Assessment – non-industrial file must an application.
4. Farm Woodlot – up to 20 acres/farm parcel – no application.
5. Wildlife Habitat Assessment – Administered through ODF&W.

Sarah: Could protecting a scarce water resource on land be highest and best use because of inability to plant crops?

Doug: Taxable value on forestland is the same no matter the specific program. Market value is highest-best use. But if there is home site potential the market value could be higher.

Sara: Why do values differ from county to county?
Doug: Lands are valued at highest/best use as other than forestland. Each assessor is independently elected official and may be looking at different factors. They have some flexibility in valuing property, and determining highest/best use, but people should contact their assessor to work with them. It is important that Special Assessments values should be consistent across county lines. Values come from Department of Revenue each year. The “Maximum Special Assessed Value” formula is the Special Assessed 1995 real market value – 10% growing 3%/year. Taxes are primarily assessed at the Maximum Assessed value.

There is the Real Market Value, the Maximum Assessed Market Value, Special Assessed Value and Maximum Special Assessed Value for each parcel.

What happens if a parcel with highest/best use deferral is not re-planted?

Doug: If a parcel in Designated Forestland is taken out of trees then there is a 5 year back tax payment. For property tax purposes it doesn’t matter what it is zoned for assessment purposes. Zoning would determine market value only, but taxes are not paid on market value.

For example if you have a small woodlot, with 20 acres to plant in trees, but ground is open you must have a management plan for planting 20% each year. If not free-to-grow or plantings don’t succeed then the parcel can be disqualified. Established forestland on even smaller acreages don’t come out of assessment but may transfer into another special assessment.

Third form is Small Tract Forestland (STF) which is a subset of Designated. You have to be in Designated Forestland to be accepted to STF. In STF the landowner pays 20% of Specially Assessed value of forestland/yr + a Harvest Severance tax to make up the difference, so the tax is deferred till harvest. This program causes a lot of work for the assessor because of the way its written. You have to have at least 10 acres which can be anywhere in the state but no more than 10,000 acres anywhere in the state. They don’t have to be contiguous but if joined, then all that are contiguous must be in STF on all.

What changes could be made to improve the STF program?

Assessors are not in any position to try and make changes in policy by approaching the legislature. There is no tracking mechanism if land is sold outside of county. With STF if the new property owner doesn’t reapply, the land is disqualified out of the STF. Back taxes can go back 10 years. Everyone with new ownership on the property must sign application.

How do you handle Special Assessment when land is sold?

Doug: The assessment goes with the land not the landowner. But with the Small Tract Forestland Program the new owner must apply or be disqualified. After harvest there is a one year to bring into compliance or report land use change, or be disqualified. It can cost more each year to get the deferral than the benefit that is received. Small ownerships may pay more in expenses than they would have paid in taxes without a deferral.

For those on fixed incomes even the smallest cost can be prohibitive.

If you lose Designated Forestland Assessment, that would be a huge increase.
Doug: The next category is “Farm Woodlot” which is a Farm Deferral. Up to 20 acres of woodlands on a working farm property under Farm Assessment would be treated as farm. The value of farmland can be higher than forest based on quality of soil and soil type.

What about buffers? Do you tax riparian zones as farmland?

Doug: They are called “incidental openings” and are taxed similarly to the lands they are on. We’ve never disqualified riparian areas as not farmable or not forestland openings, if the area is within the deferral. We aren’t trying to take anyone’s Special Assessment away. If someone wants a deferral we are going to work with landowners to qualify unless there are blatant issues.

Jim: Growing site indexes? Does the State decide what the site indexes are?

Doug: Yes. There is a mechanism to take farmland soil classifications and convert them to forestland classes.

Craig: Wildlife Application?

Doug: We have little to do with that. Applications go to ODF&W. Requirements include native landscapes, land already under EFU or having critical habitat, with management plans approved by ODF&W. Landowners then need to bring the approved plan to the Assessor and fill out an application. Property is put under Special Assessment. Fish & Wildlife monitor the lands for compliance. Not every county offers that Special Assessment option. ODF&W had put a hold on new applications because of budget cuts and lack of personnel available to monitor, but the program was still active. ODF&W is doing a good job of tightening up requirements and monitoring now and following up on new buyer awareness of requirements of assessment. ODF&W communicates with assessors on compliance.

Craig: If you were going to give us the top five challenges that come through your door on forestland owners what would they be?

Doug: Applications where there are no trees currently on the property. They need education and have struggles with keeping their trees growing successfully. They generally don’t have successful management practices. Assessors refer owners to government agencies such as Extension, ODF, etc and spend a lot of time with small landowners. Sometimes as much as 4-5 years till trees are successfully established. Deferrals can be granted in the planning stage as long as there is a plan.

Sarah: Species are crucial. Sites need preparation! Is there an educational pamphlet on planting and maintenance of forestland?

Doug: That’s not our job as an assessor. We are not consultants. We cannot endorse or refer, but if there are legitimate resources brought to our attention we would pass it on.

Craig: Any other challenges?

Doug: Larger landowners are not a problem if they have established forestlands. Changes provide challenges, changes in ownership. My goal is to keep property in deferral, if landowners agree to plant we will work with them to verify their intent is forest production. If in an afforestation situation they must file a plan agreeing to plant 20% or not less than 2 acres/yr and also must plant the first year of
assessment. To get a benefit there is also an obligation and work involved. We don’t judge the
landowner motivation as it is immaterial. Statutes allow lands to roll from one assessment to another
with no penalty, except in the case of Small Tract Forestland.

Mike: A lot of resources get spent on forestland that have little to do with forest production and what
the programs are designed for.

Doug: We spend a disproportionate amount of time with the smaller landowners and non-EF zoned land
or new bare land owners.

Craig: Cautionary note is the smaller parcel size is the most fragile side of forestland management. Its
worth looking at in policy terms.

Doug: Legislation on size of deferrals would be very difficult and would be an extremely tough sell to
legislators. The solution would probably come from the private/government groups providing help to
new landowners afforestation needs.

Craig: Thanked Doug for his participation and willingness to assist the committee.

Doug: This is a great venue for getting information out.

Craig: Introduced Linc Cannon, Director of Forest Resources and Taxation, OFIC. Former Director of
Taxation in the 1990’s. And John Tokarczyk, ODF Forest Policy Analyst, Resources Planning Unit. Norm
suggested John attend the meeting to gain some necessary insight as he will be dealing with tax issues in
the future.

Linc: Since 2001 on the property tax side things have been pretty settled, but the last couple of years
there have been a flair up of forestland issues in the legislature. The Governor issued an Executive Order
promoting the use of wood. 5 items from that Order are the subjects of working groups that have been
created. Criteria for pilot project for some wood buildings showcasing wood as building product. Groups
will be investigating wood treatment and certification.

Sara: Requested a brief overview, also discuss the consequences of forest tax history and a discussion of
the consequences on tax treatments on larger and smaller landowners whether current tax policy
encourages or discourages forest management and land ownership.

Linc: When Measure 5 passed, the Attorney General deemed that the Severance tax was subject to the
1.5% Measure 5 limit. The court agreed meaning the Severance tax would have gone from 6.5% to 1.5%.
The legislature wasn’t very happy with that action. In 1991 industry negotiated with the Legislature and
calculated equivalent rates, in theory giving them the same rate as other property owners and renamed
as a “Privilege tax”. They changed the name and suddenly it wasn’t subject to Measure 5 anymore and
ratched down from 6.5% to 5.3% to 4.7% till 1993. In 1993 there were a lot of studies done. The result
was that you shouldn’t tax trees anymore. Trees are not a found resource. It is a crop like any other so
should be taxed as acreage except once it produced income. This change was put into law in 1993. The
mechanism for doing that was a system set up with a set of land values taxed at 20% of total value
annually with a Severance tax set to raise in aggregate to what would have been raised had you taxed
the other 80% of the land. So it was called the 20/80 system with a 3.2% Severance tax and 20%
assessment ratio for forestland. In 1997 they passed Measure 47 which wasn’t able to be successfully implemented and the legislature worked on a fix with Measure 50, which imposed a 3.2% severance tax that didn’t fit and moved to a 100% forest land tax. WOSTOT (Western Oregon Small Tract Option tax) subsequently instituted for small tracts, which now pay 20% of land value every year and pay 80% on timber volume harvested. We went to 20/80 system volume based tax to make up for the deferred tax.

In 2001 the Forest Tax Committee rejoined with concern over O&C county troubles and Federal timber harvests reductions. Legislators with environmental stakeholders proposed counterpoint solutions. Andy Kerr (Oregon Wild) and others came up with a proposal for how to return revenue to O&C counties that are not getting revenue due to decreased federal timber harvest.

- The Measure 50 tax rate was frozen too low to provide funds for administration of the counties and so counties should all raise their taxes, but that proposal failed to pass the voters.
- Take all O&C and BLM lands and give to Forest Service to resulting in administrative savings.
- $10/1000 on private timber, reasoning that they made all the money and should pay it back.

These 3 components put together were supposed to be put into an account for southern Oregon counties. Voters defeated this.

One proposal this session would have imposed a Severance tax hybrid to raise money for counties and also deal with the export issue. (The Governor has established his Executive Order to deal with the export issue to increase the demand for wood.) The proposal would have imposed a $15/1000 severance tax on all timber harvested in the state but then rebated a portion back to owners whose logs were milled in this state. One provision would have created a pot of money to help industry and another a mechanism to create a funding source for counties. Of the $15 dollars collected only $12 was to be rebated, the $3 went into the pot with the other money to create a funding source for counties that came directly from the severance tax. OFIC became concerned about that. The bill had a hearing and has not resurfaced. We still had the Harvest Tax bill coming up where the rates are set.

Sarah: What’s the rational for taxing timber and not taxing crops?

Linc: It goes back to the thought that timber is just there to harvest, rather than crops being equivalent to inventory. Not a good answer, I know.

Craig: This committee is making a study on forestland taxes. What things ought we to be paying attention to?

Linc: Severance tax, forest product harvest tax, income tax provision. Federal-state differences in capital gains treatment of trees. There is a movement to get back to taxing trees, through severance tax. With taxes whatever you think you know will change tomorrow.

Craig: Thanks to Linc and Doug!

Action Items for the May meeting are:

1. Annual Report: Provided for you is the beginning draft of the annual report was distributed for review and comment. In May we need to draft up the work, what it is we’ve done and what our forward agenda will be for 2013-2014, topics we want to take on, some of which will be continuation topics, such as this tax issue. The report will be delivered in July.
2. June meeting in Roseburg – 9-3 at the Fairgrounds, OSWA will be having tours that day, at 3:30 is the OSWA board meeting with dinner scheduled at 6pm at a $25 cost. Brochures will be going out the first of next week.

3. Lena: Jim and Rick to forward logistical details to Susan Dominique, to make any needed hotel arrangements. Susan d will also contact Tom Imeson for his availability late in the agenda.

4. Mike: When the severance tax issue came up, Linc’s boss Kristina McNitt asked if OFRI could you develop a special paper on Forest Taxes in Oregon? OFRI contacted Portland State for assistance and have produced the requested paper. Paul Barnum, OFRI Director would like to present the draft report at CFF’s May meeting. It may not be needed for testimony as originally intended and it may be helpful to CFF.

5. Dallas Boge, Clint Bentz are scheduled for May. Clint has agreed to attend from 11:30 – 12:30 with a small presentation on the Small Tract Forest Option and discussion.


7. Middle Fork John Day Pilot

Wrap Up – Chair Shinn
There being no further business, the meeting was adjourned at 3:00 p.m. The next meeting is scheduled for May 15, 2013 in the Santiam Room, Bldg D, Oregon Department of Forestry, Salem, OR.
/s/
Lena Tucker
Committee Secretary Regional Forest Practices Committee [04/24/2013]