Special Assessment Programs for Forestland

OREGON DEPARTMENT OF REVENUE

www.oregon.gov/dor/timber

Because privately owned forestlands are important to Oregon's economic and environmental health, they are taxed differently than other kinds of property. As a forestland owner, you are affected by how the counties tax those lands. This publication explains how the Oregon Department of Revenue and the counties administer the special assessment programs for forestlands.

Most property in Oregon is valued and taxed based on real market value (RMV)—the price for which land would sell on the open market. As urban areas encroach on lands capable of growing valuable timber, the value of that timberland increases. This raises property taxes on the timberland, making it more expensive to hold while the timber is growing.

Recognizing this, the Oregon Legislature has established several special assessment programs that reduce taxes for forestland owners who manage their property for the primary purpose of growing and harvesting timber.

The advantages and criteria for Oregon's forestland special assessment programs are explained below.

Forestland program

Under this program, there are two types of forestlands, "highest and best use" and "designated."

During the mid-1900s, counties identified lands whose best, most economical use was to grow timber and other forest products. The counties refer to these lands as "highest and best use forestlands."

Landowners who own forestland that the county does not consider "highest and best use" may apply to have the land "designated" as forestland. If you own this type of land, you may receive a property tax reduction if you agree to grow and harvest timber. If you are unsure how your land is classified, contact your county assessor's office.

How to apply for the forestland special assessment program: Contact the assessor of the county where your forestland is located to obtain an application. The assessor will determine if your land qualifies as designated forestland.

Ownership size: At least two acres.

Qualification criteria: There must be enough trees on your land to meet Oregon Forest Practices Act stocking and species standards. If only a portion of your land meets the standards, you may still qualify if:

- At least 20 percent (minimum two acres) meets the standards by December 31 of the first assessment year; **and**
- You develop a written management plan to plant enough trees to meet the standards within five years.

Lands not adequately stocked within five years will be disqualified (explained under "Disqualification or removal" below).

Annual property tax: Land under the forestland special assessment program is assessed at a value based on the typical price paid for forestland. This is often less than RMV. Property taxes under this program vary, depending on the property's location and ability to grow timber.

For specific tax rates, contact the assessor's office for the county in which your property resides (see page 4).

Forest Product Harvest Tax (FPHT): All timber products harvested on highest and best use and designated forestland are subject to FPHT. When reporting the total volume on the FPHT return, the first 25 MBF of forest products harvested annually by any taxpayer during each calendar year shall be excluded from the total quantity of harvested forest products before determining total taxes due.

The FPHT return shall be due on or before April 15, following the preceding year's timber products harvested.

In addition, if the taxpayer determines that they will owe $1,500 or more in FPHT, they must make quarterly payments beginning in the first quarter of the year of harvest, regardless of when the actual harvest occurs. Please contact us for quarterly coupons.

Disqualification or removal: The county assessor may disqualify lands that no longer meet program standards. If your land is disqualified, you must pay back the amount of the tax reduction you received for up to the previous five years. Contact your county assessor for more information.

Small tract forestland program

The small tract forestland (STF) program allows small-woodland owners to delay paying part of their annual property taxes until the timber is harvested. This is known as the STF severance tax.

Like the forestland special assessment program, the STF program applies to land the county has classified as highest and best use and to land that qualifies as designated forestland.

A landowner pays annual property tax on 20 percent of the forestland's special assessment value. The STF severance tax is designed to recover the remaining 80 percent over the life of the property when timber is harvested.

How to apply: Contact the assessor in the county where the land is located. If the county has not classified the land as forestland, you will need to complete two applications: one to have your forestland classified as designated forestland, and one to qualify for the STF program.

Applications are available at the county assessor's office and online at www.oregon.gov/dor/timber.

The application must include all forestland within a single tax lot, and all contiguous parcels of forestland owned individually or by any other entity in which the applicant holds a majority interest.

Once property qualifies for the STF program, it cannot be removed from this program until it is sold or transferred to a new owner, or the use of the property changes.

Ownership size: At least 10 acres of forestland, but fewer than 5,000 acres.

Qualification criteria: The land must have enough trees to meet Oregon Forest Practices Act stocking and species standards.

If not all of your land meets these standards, you may still qualify if:

- At least 20 percent (minimum two acres) meets the standards by December 31 of the first assessment year; **and**
- You develop a written management plan to plant enough trees to meet the standards within five years.

Lands not adequately stocked within five years will be disqualified (see "Disqualification or removal").

Annual property tax: Land under the STF program is taxed at 20 percent of the forestland special assessment value.

Property taxes under this program vary, depending on the property's location and ability to grow timber.

For specific tax rates, contact the assessor's office for the county in which your property resides (see page 4).

Disqualification or removal: The county assessor may disqualify lands that no longer meet program standards. If your land is disqualified from this special assessment, you must pay back the amount of the tax reduction you received for up to the previous 10 years. Contact your county assessor for more information.

Once land is disqualified from the STF program, it cannot qualify again for five years.

Change from one forestland option to another: Properties remain under the STF program until ownership is transferred or the property is no longer used as forestland.

STF severance tax: The STF severance tax applies to timber harvested from STF program lands. Because the landowner pays 20 percent of the annual property tax, the severance tax recovers the remaining 80 percent when timber is harvested.

Tax rates: The tax rates for the STF severance tax is in dollars per 1,000 board feet ($/MBF).

Rates may change annually to reflect changes in specially assessed forestland value. Value increases are limited to 3 percent annually. The rate change for specially assessed forestland value is set each June 1.

Contact us or visit our website for current year rates.

What is taxed? Generally, logs or chips removed from land under the STF program are taxed. Log loads sold by the ton are taxed unless they consist of small, utility-grade logs less than 5 inches in diameter. Utility or lower grade logs are exempt from this tax.

The following rates convert log load weight (tons) to thousands of board feet (MBF):

- Loads of logs containing a minimum of 20 percent of the log count with a 5-inch, 6-inch, and 7-inch scaling diameter are converted to MBF by dividing the tons by the "chip logs" conversion factor of 11.
- Loads of logs in which all logs measure 5-inch scale and larger or the load contains three or more logs with 8 inch or larger scaling diameter are

converted to MBF by dividing the tons by the "saw logs" conversion factor of 7.5.

- Loads of chips are taxable unless they are made from utility grade or lower grade logs and are used as "hog fuel."
- Logs scaled as utility grade or lower are **exempt** from this tax.

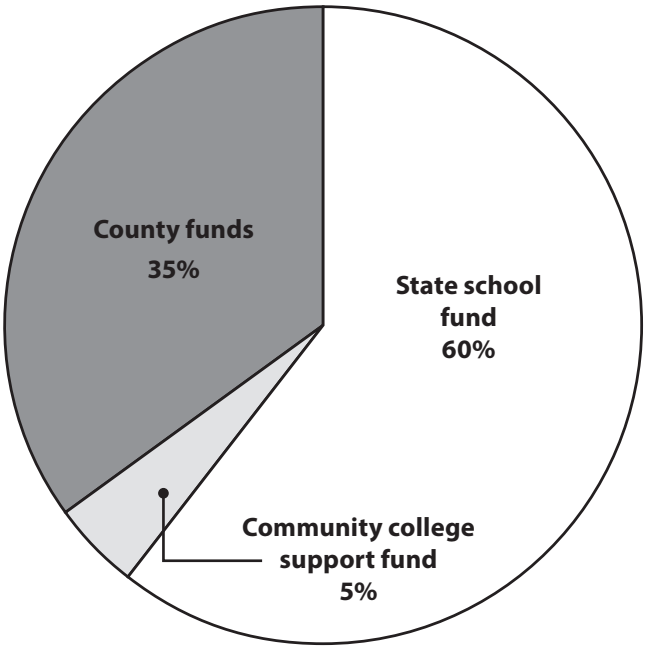
Tax forms: Tax forms for the STF severance tax are mailed by the Department of Revenue in January of of the year following the harvest. The department identifies potential harvesters and mails the forms based on information provided on the notification of operations from the Department of Forestry and the STF applications from the county assessors.

The law requires timber owners to mail completed returns to us, even if no tax is due. For contact information, see "Where to go for help," on the last page.

Due date: Beginning with timber harvested in 2020, the STF severance tax is due April 15 of the year following the harvest.

Late returns are assessed penalty and interest. A 5 percent penalty is assessed for returns filed between April 16 and July 15, a 25 percent penalty is assessed for returns filed after July 15.

Where does this tax money go?



Farmland converted to forest

(Western Oregon only**)**

Land in western Oregon counties (see county list, page 4) planted with trees that may grow into commercial timber and that has been taxed as farmland for 10 years may continue to be valued as farmland until the trees reach the age of 40. At that time, the farmland must be converted to forestland.

How to apply for this tax program: Contact the assessor in the county where the land is located.

Ownership size: At least two acres.

Qualification criteria: The land must have enough trees to meet Oregon Forest Practices Act stocking and species standards.

If the land does not currently meet these standards, you may still qualify if:

- At least 20 percent (minimum two acres) meets the standards by December 31 of the first assessment; **and**
- You develop a written management plan to plant enough trees to meet the standards within five years.

Lands not adequately stocked within five years will be disqualified (see "Disqualification or removal" below).

Annual property tax: Tax under this program is based on the land's ability to yield farm products. This value is usually less than the RMV.

Timber harvested from farmland converted to forest: If an owner harvests timber products from farmland converted to forest, they are subject to FPHT. This may include making quarterly payments if the owner determines they will owe $1,500 or more in FPHT harvest taxes.

Disqualification or removal: The county assessor may disqualify lands that no longer meet program standards. If your land is disqualified, you must pay back the amount of the tax reduction you received for up to the previous five years. Contact your county assessor for more information.

Farm woodlot

Often, specially assessed farmland has a timbered area adjacent to farmed land. If your land includes this type of acreage, you may put up to 20 acres of it into a farm woodlot. Farm woodlot property is valued as if the underlying land were used for farm purposes. The forestland must be adjacent to the assessed farmland.

How to apply for this program: Contact the assessor in the county where the land is located.

Ownership size: There is no minimum size for this program, but land cannot exceed 20 acres.

Qualification criteria: The species and stocking requirements of specially assessed forestland do not apply, however, the land must be growing trees.

Annual property tax: Land under this program is assessed at a value, based on its potential farm or ranch income. The value is often less than RMV and may be less than specially assessed forestland values.

Timber harvested from farm woodlot: If an owner harvests timber products from farm woodlots, they are subject to FPHT. This may include making quarterly payments if the owner determines they will owe $1,500 or more in FPHT harvest taxes.

Disqualification or removal: The county assessor may disqualify lands that do not meet program standards. You must pay back the amount of the tax reduction you received for up to the previous 10 years. Contact your county assessor for more information.

Home-site values

Home sites associated with forestland special assessments are valued separately from the land.

Qualifying home sites used in conjunction with more than 10 acres of qualifying forestland receive special assessment for the land under the dwelling. This is the average market land value of all land of common ownership contiguous to the home site. A maximum $4,000 on-site development (for example, for septic, domestic well, or landscaping) are added to the value of the land under the dwelling.

Contact your county assessor's office to determine the value of your home site. An application is not required to obtain a forest-related home site special assessment.

General information

May I change from one forestland option to another?

You may put your property into a farm special assessment, the forestland program, or the STF program if your land qualifies for these programs. You may also put your property into the wildlife habitat special assessment program. To learn more about this program, contact the Department of Fish and Wildlife, (503) 947-6000 (Salem), 1 (800) 720-6339 (toll-free from an Oregon prefix), www.dfw.state.or.us/lands/whcmp, or www.oregon.gov/odfw. You may make these changes without paying additional tax.

Do you have questions or need help?

www.oregon.gov/dor
503-378-4988 or 800-356-4222
questions.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.

Other resources

County assessment farm forest appraisers

Call the assessor in the county where your land is located for information on property tax and the land portion of the forestland programs. See "County Government—Assessor's Office" in your phone directory.

Oregon State University Forestry Extension Program

For information on forest management, forest management planning, financial planning, and forestland programs, see "County Government—Extension Service" in your phone directory.

Oregon Department of Forestry

For information on forest management, forest management planning, and the forestland programs, see "State Government—Forestry Department" in your phone directory, or visit www.oregon.gov/odf.

List of counties

Western Oregon

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill.

Eastern Oregon

Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler.