

Advantages and Disadvantages of Electing the STF Option

Advantages:

- Time property tax payments with cash flows from harvest.
- Pay annual property taxes based on 20% of the Forestland values.
- Simplified method of computing Severance tax at harvest based on volume sold.
- Severance tax only paid on sawmill grades and better.
- No Severance tax on utility grades.
- Growth in future tax rates tied to growth in underlying property tax values.
- Severance tax rate assumes average growth on an average stand in Western & Eastern Oregon.
- Can elect to place non-contiguous stands in different tax programs.
- New owners and transferees (within 30 days of transfer) can elect to remain in the STF Option without paying rollback of back taxes.
- Can elect into the STF Option at any time. Election is required by April 1 of any year to be effective for that year and all future years.

Disadvantages:

- If substantial amounts of timber (above sustained yield amounts) are harvested early on, could pay more Severance taxes at harvest than would be due on an annual basis under the Forestland program.
- Severance tax rate assumes average growth on an average stand in Western & Eastern Oregon.
- Election is irrevocable. Once made, can only be changed by selling or transferring the property, or changing to a non-forestry use.
- If property sold or transferred and the new owner does not elect to continue in the STF Option, additional taxes of up to ten years of amounts deferred under the STF Option compared to the Forestland program.
- Must place all contiguous tax lots in this program.
- Severance Tax returns need to be filed for harvests from STF lands.