

# ***OREGON FOREST TAX UPDATE 2003***

***— Successfully Navigating the Changes —***

<b>Oct. 28 (Tues.) Salem</b>	<b>Nov. 3 (Mon.) Redmond</b>	<b>Nov. 12 (Wed.) Eugene</b>
<b>Oct. 30 (Thurs.) Beaverton</b>	<b>Nov. 4 (Tues.) John Day</b>	<b>Nov. 13 (Thurs.) Medford</b>
<b>Oct. 31 (Fri.) Oregon City</b>	<b>Nov. 6 (Thurs.) LaGrande</b>	<b>Nov. 14 (Fri.) Coos Bay</b>
	<b>Nov. 7 (Fri.) The Dalles</b>	



## **Forest Landowner Tax Education Project**

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**Oregon State University Forestry Extension Program  
Oregon Department of Forestry  
Oregon Department of Revenue  
Oregon Small Woodlands Association  
Oregon State Association of County Assessors**

# Forest Landowner Tax Education Project (FLTEP) Steering Committee

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**Oregon State University Forestry Extension Program  
Oregon Department of Forestry  
Oregon Department of Revenue  
Oregon Small Woodlands Association  
Oregon State Association of County Assessors**

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**OREGON FOREST TAX UPDATE 2003**  
— *Successfully Navigating the Changes* —  
**TRAIN-THE-TRAINER WORKSHOP**

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- I. Welcome - Site Host** **0900**
- Session Introduction**
- A. What's this session all about?
  - B. Instructors
  - C. Professional Credit
  - D. Training Expectations
  - E. Questions
- II. How Did We Get Here? -**
- A. History of Forestland and Timber Taxation
  - B. Valuation of Forestland
- BREAK
- III. New Program Overview**
- A. One-Pager
  - B. Forest Landowner (FLO) Road Map
  - C. Privilege/Severance Tax
  - D. Forest Products Harvest Tax
  - E. Transitional Road Map
- IV. Forestland Program or Choosing Small Tract Forestland (STF) Option?**
- A. Essential Questions
  - B. ....and Answers
    - 1.** Finding the Information
    - 2.** Quadrant Diagram
    - 3.** 1<sup>st</sup> Approximation: Break-Even Formula
    - 4.** Landowner Spreadsheet: A Refined Analysis Tool
- LUNCH ~ 1200
- 5.** Examples & Discussion
  - 6.** Making The Decision
- BREAK
- V. Qualification & Disqualification**
- VI. Summary: Advantages & Disadvantages**
- VII. What's Next?**
- VIII. Conclusion, Wrap-up, Evaluation**
- Adjourn** **1500**

## ⊕ Training Expectations

### Extension & Stewardship Foresters

- Offer local landowner information sessions targeted by FLTEP.
- Answer landowners' general questions to the best of your ability.
- Refer questions you can't answer to DOR and Assessors' representatives.
- Do not fill out landowners' tax forms (unless you are a licensed tax professional).

### Master Woodland Managers

- Assist your Extension Forestry Agent as needed with follow-up landowner sessions.
- Tell landowners you visit that OR tax laws are changing.
- Refer specific questions to your Extension Forestry Agent.

Unless you are a licensed tax professional...

- **Do not** make recommendations to landowners regarding their options in interim/new programs.
- **Do not** fill out landowners' tax forms.

## ⊕ **Training Expectations**

### **OSWA**

- Answer landowners' general questions to the best of your ability.
- Cooperate with Extension and Stewardship Foresters to provide information and assistance as needed.
- Disseminate information to members.

### **DOR & Assessors**

- Answer landowners' general questions to the best of your ability.
- Cooperate with Extension and Stewardship Foresters to provide information and assistance as needed.
- Accept applications for new STF Option.
- **Assessors:** Forward questions you can't answer to DOR.

## Timeline — for use by Trainers

### ⊕ December 2003 – March 2004

- FLTEP makes mass mailings to landowners (1st week of Dec. '03 is target)
  - Program details
  - Landowner workshop schedule
  - Where to get help
  - Website
  
- Landowner training and individual consultation done by Oregon Departments of Revenue and Forestry, OSU Forestry Extension, and county assessors' office
  
- Steering Committee does follow-up publicity
  - Press releases
  - Website
  
- Department of Revenue mails STF Option applications

### ⊕ *April 1, 2004 - Deadline for signup for new program for '04-'05 tax year*

**[www.dor.state.or.us/timber.html](http://www.dor.state.or.us/timber.html)**

## **A. History of Forestland and Timber Taxation**

Taxation of Oregon forestland and timber began in 1856, pre-dating statehood and has been controversial and evolving ever since. Major changes have been made in 1929, 1955, 1961, 1977, 1981, 1991, 1999, and 2003. For simplicity, these changes can be grouped together in to three primary periods:

### **1. Both forestland and standing timber were subject to annual property taxes**

- a. 1856 to 1961 (East side)
- b. 1856 to 1977 (West side)
- c. Exceptions; Forest Fee & Yield Tax, adopted in 1929, and the Western Oregon Small Tract Option, adopted in 1961.

### **2. Timber Severance Tax**

- a. 1961 to 1993 (East side)
- b. 1977 to 1993 (West side)
- c. Timber was removed from the annual property tax rolls. As a substitute, the severance tax was initiated to capture the loss in property taxes (5 % for Eastern Oregon and 6.5 % for Western Oregon).

## **A. History of Forestland and Timber Taxation**

### **3. Timber Exempt From Taxation, 100% Land Tax with STF Option**

- a. Ballot Measure 5 (November, 1990) set tax rate limit of 1.5%
- b. HB 2438 (1993), exempted timber and established 20/80 land tax
- c. Ballot Measure 50 (1997) set value limit of 3% per year increase
- d. HB 3575 (1999), phased in a “large owners” program (over 5,000 acres) to 100 percent land tax with no tax at harvest. 20/80 land tax (small owners) and WOSTOT was set to sunset.
- e. HB 2197 (2003) created alternative “small tract forestland” (STF) option for owners between 10 and 4,999 acres



## **B. Valuation of Forestland**

### **1. Charge**

“The Department of Revenue shall convene a group to review forestland values ... and real market values for highest and best use forestlands. The working group will make recommendations on appropriate measures of forestland values for tax years beginning on or after July 1, 2003.” HB 3575 (1999)

- a. Develop special assessment value based on real market value of highest and best use forestland.
- b. Look at productivity based values in eastern Oregon.

### **2. Forestland value study**

- a. A study steering committee
- b. Study Process

## **B. Forestland Value Working Group**

### **3. Recommendations of the Work Group**

- a. Forestland values to be based on the sales comparison approach to value.
- b. Forestland values were established for years 1995 and 2000.
- c. Forestland values would be updated annually based on the change in forest industry indicators. Market sales data being the principle indicator.
- d. Eastern Oregon valuation would remain with one value.

### **4. 2003 – Dual System**

The 2003 Legislature created a Small Tract Forestland Option to go with the Forestland program. Because the original timing of changing the programs in 2003 would not allow landowners enough time to learn of the programs and make decisions on how they wanted to be taxed, the legislature delayed implementation of the Option until 2004.

### **5. 2004 – One system**

# FORESTLAND CLASSES AND SITE VALUE CHART

All Western Oregon Counties					Assessed Forestland Values / 20% Values										
100 Year Site Index	50 Year Site Index	Site Class	DOR Forest Class	Tax Years (July 1 - June 30)											
from	to	from	to	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05*		
205	210	152	160	I+	<b>FA</b>	782/156	825/165	704/140	725/145	747/149	769/153	792/158	816/163	450/167	464/92
195	205	145	151	I											
185	195	139	136	I-											
175	185	131	134	II+	<b>FB</b>	673/134	710/142	606/121	624/124	643/128	662/132	682/136	702/140	357/143	368/73
165	174	122	130	II											
156	164	118	120	II-	<b>FC</b>	430/86	454/91	387/77	399/80	411/82	423/85	436/87	449/90	299/92	308/61
145	155	110	117	III+											
135	144	102	109	III	<b>FD</b>	325/65	343/69	293/59	301/60	310/62	320/64	329/66	339/68	254/70	262/52
126	134	96	101	III-											
115	125	90	95	IV+	<b>FE</b>	186/37	196/39	167/33	172/34	178/35	183/36	188/37	194/39	169/40	174/34
105	114	81	88	IV											
96	104	80	76	IV-	<b>FF</b>	46/9	48/10	41/8	42/8	44/9	45/9	47/9	48/9	122/10	126/25
85	95	66	74	V+											
75	84	59	66	V	<b>FG</b>	8/1	8/2	7/1	7/1	8/1	8/1	8/1	8/1	51/1	53/10
70	74	50	58	V-											
See 'FX Class' below					<b>FX</b>	1/0	1/0	1/0	1/0	1/0	1/0	1/0	1/0	6/0	6/1

Eastern Oregon Counties	<b>All</b>	48/10	53/11	43/9	44/9	46/9	47/9	49/10	50/10	51/10	53/10
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**FX Class:** Isolated openings in the forest because of rock outcrops, river wash, swamps, chemical conditions of the soil, brush and other like conditions that prevent adequate stocking of such openings for the production of trees of a marketable species.

\* Projected 04 - 05 assessed value

# **Insert Forestland Program & Values Changes Overhead**



# Oregon

Theodore R. Kulongoski, Governor

Department of Revenue  
955 Center St NE  
Salem OR 97301-2555

10-3-03

As you may know, Oregon's 2003 Legislature passed two laws (HB2197 and HB2188) bringing significant change to Oregon forestland taxation. Two forestland property tax programs have resulted:

1. FORESTLAND Program - for all owners with 2 or more acres of forestland
2. SMALL TRACT FORESTLAND (STF) Option - a special option for owners with 10-4,999 acres of forestland

Starting in 2004, all owners will have been transferred into the FORESTLAND Program. Those with less than 10 or 5,000 and more acres are required by law to remain in the FORESTLAND Program. Owners with 10-4,999 acres who decide that the new STF Option is more advantageous may apply to enroll in it. The attached comparison chart provides further details about both programs.

For this "transition" year of 2003, owners in the current small owner "20/80" Program will pay Privilege Tax on timber harvested from their land. Privilege Tax will not be required for timber harvested from all other forestlands.

Additionally, the Western Oregon Small Tract Optional Tax (WOSTOT) has been repealed. Forestland previously in WOSTOT has been automatically transferred to the FORESTLAND Program effective with the 2003-04 tax year. The Forest Products Harvest Tax remains in effect for all who harvest timber.

***Beginning in late fall 2003 and continuing into 2004, landowner notification and education will be done through a cooperative effort by the Oregon Departments of Revenue and Forestry, Oregon State University Extension Forestry, Oregon Small Woodlands Association, and Oregon's county assessors.***

The following people serve on the Forest Landowner Tax Education Project Steering Committee. All are available to provide further information and answer questions.

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## 2004 - 05 Forestland Taxation Program Comparison

	<b>FORESTLAND PROGRAM</b>	<b>SMALL TRACT FORESTLAND (STF OPTION)</b>
<b>How to get into the two forestland tax programs<sup>1</sup></b>	All land classified as either highest and best use forestland or currently qualified as designated forestland automatically goes into this program beginning July 1, 2004	Must apply to County Assessors by April 1, 2004 or April 1 of any year following
<b>Ownership size</b>	2 acres or more of forestland	10 - 4,999 acres of forestland
<b>All or partial ownership</b>	Choose by tax lot (total ownership of less than 10 acres or 5,000 or more acres automatically placed under this program with no option for small tract)	Choose by tax lot, all forestland within contiguous lots must be in same program
<b>Forestland criteria</b>	Meet stocking standards of FPA <sup>2</sup> or management plan to meet requirements	Meet stocking standards of FPA <sup>2</sup> or management plan to meet requirements
<b>Annual Property Tax</b>	Based on 100% of forestland special assessment value	Based on 20% of forestland special assessment value
<b>Severance tax at harvest</b>	No	<p>Yes, tax rates intended to recover the unpaid property tax projected over a typical rotation length for an average productivity class</p> <p>Eastern Oregon rate – \$ 3.03 per MBF (2004 rate) Western Oregon rate – \$ 3.89 per MBF (2004 rate)</p> <p>These tax rates will be indexed annually at the rate that the specially assessed forestland has increased or decreased from one year to the next</p>

<sup>1</sup> Assumes that properties are already classified as forestland. Owners of properties not currently classified as forestland must submit an Application for Designated Forestland by April 1 to the county assessor if they wish to have their property considered for either of these two programs.

<sup>2</sup> Forest Practices Act

## 2004 - 05 Forestland Taxation Program Comparison

	<b>FORESTLAND PROGRAM</b>	<b>SMALL TRACT FORESTLAND (STF OPTION)</b>
<b>Change from one forestland option to another</b>	Yes – transfer to STF Option allowed	Limited movement between programs allowed. Properties under this option will remain classified under this program unless the property ownership is transferred or is no longer being used as forestland.
<b>Disqualification or removal</b>	<p>Yes, if FPA<sup>2</sup> stocking/species requirements are not maintained, land sub-divided, land no longer used as forestland, or request of landowner.</p> <p>5 years of the difference between the 100% forestland value and the real market value of the property may be charged if the property is no longer used as forestland.</p>	<p>Yes, if FPA<sup>2</sup> stocking/species requirements are not maintained, land sub-divided, land no longer used as forestland, or request of landowner.</p> <p>5 years of the difference between the 100% forestland value and the real market value of the property may be charged if the property is no longer used as forestland.</p> <p>May be subject to rollback taxes not to exceed 10 years of the difference between tax at 100% of the forestland value and 20% of the forestland value.</p>
<b>Landowner education</b>	The Oregon Department of Revenue will join with OSU Forestry Extension, Oregon Department of Forestry, County Assessors and Oregon Small Woodlands Association to notify all forestland owners of changes in forestland tax laws and provide education about options available so taxpayers can make educated choices on these tax options. Education will take place late 2003 and early 2004.	
<b>Forest Products Harvest Tax</b>	The Forest Products Harvest Tax continues to be due anytime that timber is harvested in Oregon. There are no major changes to this program.	

<sup>1</sup> Assumes that properties are already classified as forestland. Owners of properties not currently classified as forestland must submit an Application for Designated Forestland by April 1 to the county assessor if they wish to have their property considered for either of these two programs.

<sup>2</sup> Forest Practices Act

**Insert FLO Road Map COLOR**



# **Western Oregon Privilege Tax (WOPT) Eastern Oregon Privilege Tax (EOPT)**

## **⊕ Didn't the WOPT and EOPT programs end already?**

Legislature extended WOPT and EOPT through tax year 2003 for small owners in "20/80" program

## **⊕ What harvests are subject to the tax?**

Harvests from lands in current "20/80" program

## **⊕ What timber is subject to the tax?**

Utility cull and better

Logs chipped in the woods

# **Western Oregon Privilege Tax (WOPT)**

## **Eastern Oregon Privilege Tax (EOPT)**

### **⊕ What is the tax based on?**

Taxable value of harvested timber

### **⊕ How is the tax calculated?**

Taxable value x Tax rate

EOPT tax rate = 1.8%

WOPT tax rate = 3.2%

### **⊕ Who gets the money that is collected by this tax?**

65% to schools - State School Fund & Community College Support Fund

35% to counties

## **Small Tract Forestland (STF Option) Severance Tax**

### **⊕ What harvests are subject to the tax?**

Harvests from lands in small tract forestland (STF) option

### **⊕ What timber is subject to the tax?**

Sawmill grades and better

### **⊕ What is the tax based on?**

Volume harvested (in MBF)

## **Small Tract Forestland (STF Option) Severance Tax**

### **⊕ How is the tax calculated?**

Taxable volume x Tax rate

2004 EO tax rate = \$3.03/MBF

2004 WO tax rate = \$3.89/MBF

Rates indexed annually at rate forestland assessed value has increased/decreased (maximum increase 3%)

### **⊕ Who gets the money that is collected by this tax?**

65% to schools – State School Fund & Community College Support Fund

35% to counties

## **Forest Products Harvest Tax (FPHT)**

### **⊕ What timber harvests are subject to the tax?**

All harvests from public and private lands

### **⊕ What timber is subject to the tax?**

Utility cull and better

Logs chipped in the woods

### **⊕ What is the tax based on?**

Volume harvested (in MBF)

25 MBF exemption

## **Forest Products Harvest Tax (FPHT)**

### **⊕ How is the tax calculated?**

Taxable volume x Tax rate

### **⊕ Who gets the money that is collected by this tax?**

2003 tax rate = \$3.07/MBF

\$0.67 to OSU Forest Research Laboratory (research)

\$0.50 to Oregon Forestland Protection Fund  
(emergency firefighting)

\$0.91 to Oregon Department of Forestry (administration  
of Forest Practices Act)

\$0.99 to Oregon Forest Resources Institute

**Insert Transitional Road Map COLOR**

## Essential Questions

### ⊕ Questions the assessor can answer:

1. **How is my property classified & taxed now?**
2. **How many acres do I have in the various productivity classes? [irrelevant for E.OR]**
3. **What is my current property tax rate(s) [\$/ \$1000 assessed value]?**

### ⊕ Questions only the FLO can answer:

4. **What are my plans for harvesting timber?**
5. **Do I anticipate the property's ownership or use changing?**

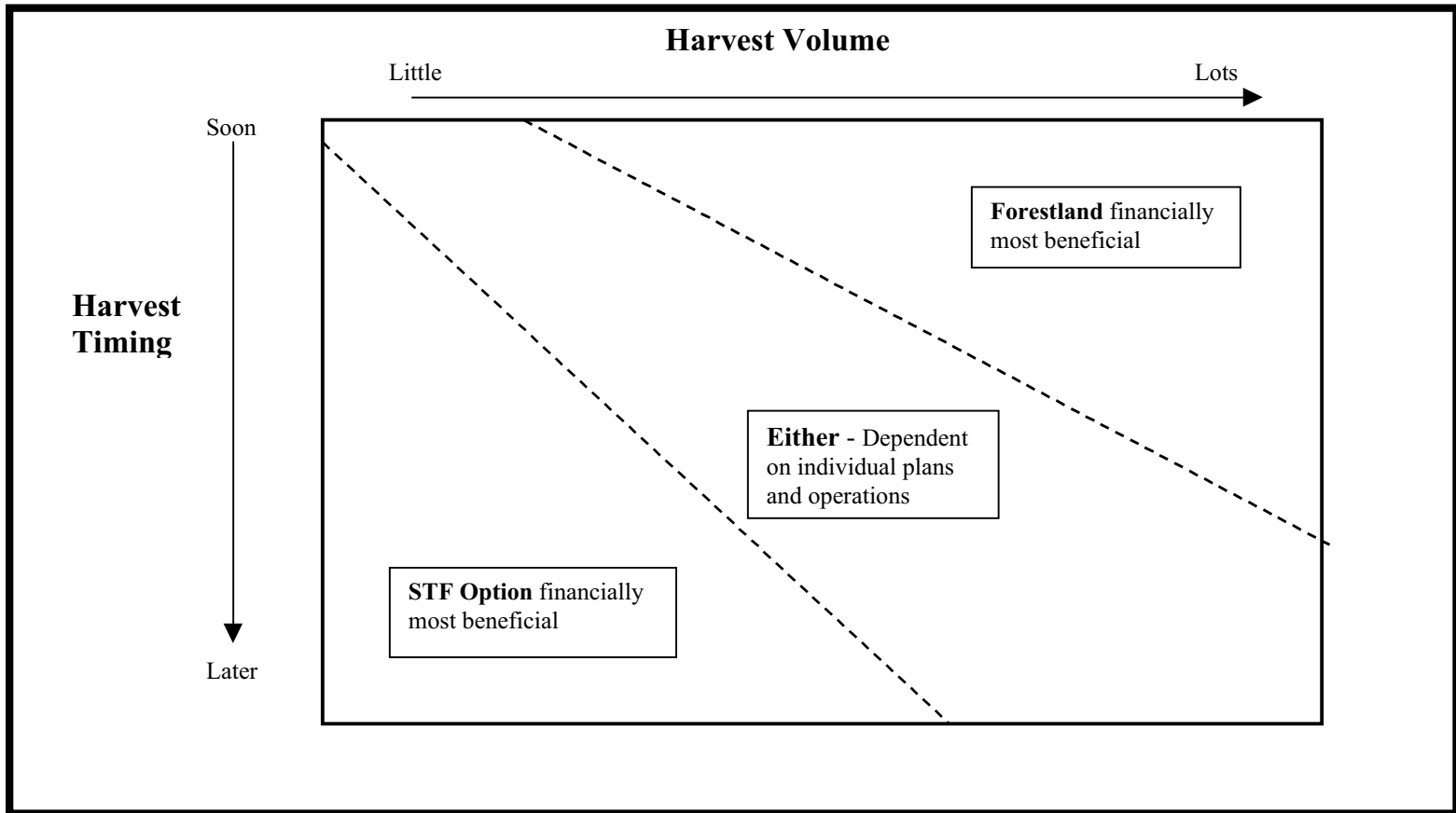


## **Essential Questions**

⊕ **Questions trainers can answer:**

- 6. What are the implications of doing nothing?**
- 7. Once in the FORESTLAND Program, what are the implications of choosing the STF Option?**
- 8. Where do I go for help?**

# “Quadrant Diagram”



# 1<sup>st</sup> Approximation: Break-Even (B-E) Formula

$$\frac{\text{Property tax deferred annually (\$)}}{\text{Severance Tax Rate (\$/MBF)}} = \text{Annual Break-Even Volume (MBF)}$$

$$\frac{\$600}{\$3.89/\text{MBF}} = 154.24 \text{ MBF}$$

## ⊕ CONCLUSION

- If harvesting *more* than 154 MBF/year → choose FORESTLAND Program
- If harvesting *less* than 154 MBF/year → choose STF Option

## ⊕ ASSUMPTION TO MAKE B-E FORMULA WORK:

- Must harvest the same amount annually

**Insert Spreadsheet Base Page COLOR**

## Factors Affecting STF Option Decision

	Greater Tax Savings →	Less Tax Savings
<b>Productivity Class - Western Oregon only</b>	High Productivity	Low Productivity
<b>Property Tax Rate</b>	Higher Tax Rate	Lower Tax Rate
<b>Management Intensity</b>	Lower Timber Mgmt Intensity	Higher Timber Mgmt Intensity
<b>Rotation Age</b>	Shorter Rotation Age	Longer Rotation Age
<b>Opportunity Investment of Delayed Tax</b>	Investment at High Rate	No Investment
<b>Harvest Timing</b>	Delayed Harvest	Harvest Now
<b>Projected Length of Property Ownership</b>	More than 10 years	Immediate sale

## **V. QUALIFICATION AND DISQUALIFICATION**

### **A. Qualifying for the Forestland Program**

The criteria and process for placing property into the forestland special assessment program have not changed

1. Minimum two (2) acres of forestland
2. Land must meet minimum stocking requirements
3. Distinction between “designated” and “highest and best use”
  - a) Designated must make application to county assessor
  - b) Highest and best use qualifies without application

### **B. Qualifying for the STF Option**

1. Land must first be under forestland special assessment
2. Meet size restrictions (10 acres to 4,999 acres)
3. Has not been disqualified from previous STF assessment in last five (5) years
4. Make application by April 1 prior to first year of STF assessment
5. New application form from Department of Revenue
6. All contiguous land must be in one program or the other
7. Once under STF, land must stay under STF until property is sold or transferred

## **V. QUALIFICATION AND DISQUALIFICATION**

### **C. Transfer of Ownership**

1. Owner required to notify county assessor when land is sold or acquired which:
  - a) Is contiguous with land under STF
  - b) Results in total acres owned under 10 or 5,000 or more
2. County assessor to disqualify STF land when sold or transferred (placed in the Forestland Program)
3. New owner has 30 days to make application to continue under STF

### **D. Disqualification From Small Tract Forestland (STF) to Forestland**

1. Due to sale or owner's owning less than 10 or 5,000 acres or more
2. Back taxes (difference between STF taxes and forestland taxes) for lesser of 10 years or number of years under STF
3. Payment of Severance Tax not factored into back tax calculation

## **V. QUALIFICATION AND DISQUALIFICATION**

### **E. Disqualification From Forestland to Real Market Value (RMV)**

- 1.** Due to owner notification to remove, sale or transfer to an exempt owner, discovery that land is no longer forestland, subdividing (same as it has always been)
- 2.** Back taxes (difference between forestland taxes and RMV taxes) for lesser of 5 years or number of years under forestland
- 3.** No back taxes for highest and best use forestland



## V. QUALIFICATION AND DISQUALIFICATION

### F. Disqualification From STF to Real Market Value (RMV)

1. Due to owner notification to remove, sale or transfer to an exempt owner, discovery that land is no longer forestland, subdividing (same as it has always been)
2. **Back taxes will be calculated in two steps:**
  - a) *Step 1* uses the difference between forestland taxes and RMV taxes for the lesser of 5 years or number of years under forestland. No back taxes for highest and best use forestland
  - b) *Step 2* uses the difference between STF taxes and forestland taxes for the lesser of 10 years or number of years under STF.
  - c) The sum of this calculation will result in the total back taxes owed. (combination of back taxes from D. and E. above)
  - d) Payment of Severance Tax not factored into back tax calculation

### G. DOR to provide more training for assessors

## **Insert Tom's Disqualification Example 1**

## **Insert Tom's Disqualification Example 2**

# SUMMARY

## Advantages & 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 severance 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 tax lots 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.

## **Advantages & Disadvantages Of Electing The STF Option**

### **⊕ 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.

# **Oregon's Forestland Taxation is Changing: Questions and Answers**

[10-8-03, v. 1]

***Q1. I hear that property taxes are changing for forestland in Oregon. What's happening?***

A1. In addition to the existing FORESTLAND Program which is available to all forestland owners, the 2003 Legislature passed Oregon House Bill 2197 creating a new Small Tract Forestland (STF) tax option for small woodland owners who own at least 10, but less than 5,000 acres of forestland. The new STF option takes effect in 2004. To obtain STF Option benefits, eligible owners must make application with their county assessor. The new STF Option will continue small woodland owners' ability to pay the majority of their forestland taxes at the time of timber harvest.

***Q2. Why did we need this new tax program?***

A2. Current small forestry property tax programs were set to expire in 2003. Thus, in 1999 small owners, county assessors, forestry consultants, the Depts. of Revenue and Forestry, and other groups began cooperating to create a new property tax system for Oregon's small woodland owners.

# **Oregon's Forestland Taxation is Changing: Questions and Answers**

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***Q3. What is the impact of the new law for forestland owners in 2003?***

A3. The law extended the current small forestland tax program for 2003. If you are a small woodland owner with land currently in "20/80 special assessment" (forest deferral), you will pay privilege tax on harvests in 2003. Large owners (5,000 or more acres), previous WOSTOT owners, and those small owners who previously opted into the large owner program will pay no privilege tax on harvests from their own lands in 2003. All harvests continue to be subject to the Forest Products Harvest Tax.

***Q4. What happens if my land was in the WOSTOT (Western Oregon Small Tract Optional Tax) program?***

A4. County assessors have transferred all forestland in the WOSTOT Program to the FORESTLAND Program. If owners with land previously in WOSTOT want to be in the new STF Option, they must apply. Owners with land in Christmas trees previously taxed under WOSTOT will be taxed on the real market value of the property unless they apply for their lands to be taxed under the Farm Use Special Assessment Program.

# Oregon's Forestland Taxation is Changing: Questions and Answers

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## ***Q5. Do I need to sign up for the new tax programs?***

A5. Effective in 2004, everyone will be in the FORESTLAND Program. There is no automatic “rollover” into the STF Option. Owners wanting their land included in the STF Option must apply.

## ***Q6. What should I be doing now?***

A6. Talk to your local county assessor's office to determine in what tax program(s) and productivity class(es) your land is currently classified. You will need this information to determine the most advantageous tax program for you. In early December the Department of Revenue will mail you an explanation of the forestland tax changes. Besides learning about the new STF Option, there is no action that you must take in 2003. To have your land included in the new STF Option beginning in the 2004 tax year, you must apply to your county assessor between Jan. 1 and Apr. 1 of 2004.

## ***Q7. I own land classified in the FORESTLAND Program. In 2003 I purchased and harvested timber from someone in the current “20/80 special assessment” (forest deferral) program. What taxes do I pay?***

A7. When timber is harvested, the Privilege Tax liability depends on the forestland property tax program. Because the land is taxed under the “20/80” program, the land tax would be paid by the landowner, and the timber purchaser owes the Privilege Tax and the Forest Products Harvest Tax.



# Oregon's Forestland Taxation is Changing: Questions and Answers

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***Q8. I own land classified in the FORESTLAND Program. In 2003 I purchased land and timber from someone in the current "20/80 special assessment" (forest deferral) program. What taxes do I pay if I harvest timber?***

A8/1. If the property was purchased from Jan. 1, 2003 thru Jun. 30, 2003, the county assessor would automatically move the purchased property into the FORESTLAND Program. The property tax would be based on 100% of the forestland value. **No Privilege Tax would be owed at harvest**, regardless of when the harvest occurs.

A8/2. If the property was purchased **and** the timber harvested from Jul. 1, 2003 through Dec. 31, 2003, then the property remains in the 20/80 program and Privilege Tax is owed at harvest.

A8/3. If the property was purchased from Jul. 1, 2003 through Dec. 31, 2003, but the timber was **not harvested until 2004 or later**, no Privilege Tax will be owed at harvest.

**In each of these three situations (as in harvests from all lands), the Forest Products Harvest Tax is owed.**

# Oregon's Forestland Taxation is Changing: Questions and Answers

[10-8-03, v. 1]

***Q9. What's happening to help me learn about the new forestland tax situation and to take the necessary action?***

**A9. ⊕ Sept. – Nov. 2003**

- The Forestland Tax Education Project (FLTEP) Steering Committee prepares and distributes initial information and publicity about the changes.
- FLTEP Steering Committee prepares and delivers training to staff of the Departments of Revenue and Forestry, OSU Forestry Extension, and county assessors' offices.

⊕ Dec. 2003 – Mar. 2004

- DOR makes mass informational mailings to landowners
- Landowner training and individual consultation done by Oregon Departments of Revenue and Forestry, OSU Forestry Extension, and county assessors' offices
- STF Option applications made available

⊕ Apr. 1, 2004 - Signup deadline for new STF program for 2004 tax year

# Oregon's Forestland Taxation is Changing: Questions and Answers

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## *Q10. Where can I get help?*

A10. You may contact anyone on the Forest Landowner Tax Education Project Steering Committee:

Norman A. Miller  
Oregon Department of Revenue  
Timber Tax Programs  
503-945-8327  
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503-397-2240  
Linhart@co.columbia.or.us

**[www.dor.state.or.us/timber.html](http://www.dor.state.or.us/timber.html)**

# APPENDIX

## ⊕ **SPREADSHEET EXAMPLES**

- **Western Oregon**
- **Eastern Oregon**
- **Southern Oregon**
- **The Dalles**

## ⊕ **STF OPTION APPLICATION & INSTRUCTIONS**

## ⊕ **COUNTY ASSESSORS ADDRESSES**

## ⊕ **OREGON FORESTLAND TAXES, ASSESSMENTS AND CREDITS SUMMARY**

**INSERT EXAMPLES (1 PAGE EACH) BEHIND APPROPRIATE TABS**

**Western Oregon Spreadsheet Examples**

**Annual Harvest Plan**

**Five-Year Harvest Plan**

**Ten-Year Harvest Plan**

**Eastern Oregon Spreadsheet Examples**

**Annual Harvest Plan**

**Five-Year Harvest Plan**

**Ten-Year Harvest Plan**

**Southern Oregon Spreadsheet Examples**

**Annual Harvest Plan**

**Five-Year Harvest Plan**

**Ten-Year Harvest Plan**

**The Dalles Spreadsheet Examples**

**Eastern Oregon Example**

**Western Oregon Example**

**INSERT STF APPLICATION & INSTRUCTIONS**

**INSERT ASSESSORS ADDRESSES**