

**DIVISION 321
TIMBER TAXES**

Establishing Legal Taxpayer for FPHT

150-321.005(9)

(1) It will be the policy of the department to use the following sequence of criteria to establish the identity of the taxpayer:

- (a) The party indicated on the “Notification of Operations” as the timber owner.
- (b) The party receiving payment for logs delivered to a conversion center.
- (c) The owner of land from which harvest occurred.
- (d) The party holding title to timber as evidenced in a written agreement.
- (e) The following examples may be useful in determining the responsible taxpayer:

TYPE OF TRANSACTION	RESPONSIBLE TAXPAYER
1. Outright sale of standing timber only.	Timber purchaser
2. Sale of land and timber by deed.	Purchaser of property
3. Sale of land and timber by land sales contract.	Purchaser of property
4. Sale of logs prior to any measure — i.e., from the landing.	Purchaser of the logs
5. Trading timber for services and/or materials.	Person receiving timber
6. Timber trespass or theft.	Legal owner of timber
7. Sale of delivered logs to a mill or conversion center.	Legal owner of the logs
8. License to cut or remove.	Licensee timber
9. Timber given as a gift.	Recipient of gift

(2) When it becomes necessary to interpret a written agreement in order to establish identity of the taxpayer, the following tests will apply:

- (a) Type of agreement — i.e., a contract for the performance of services vs. a contract that transfers the ownership of property.
- (b) The intent of the agreement.
- (c) Which party enjoys the “benefit of ownership”?
- (d) Which party bears the loss in a catastrophic event?
- (e) The timing of and manner of payment.

(3) Whenever an agreement is so ambiguous that identity of the taxpayer cannot be reasonably determined, the last party known to hold title to timber and/or logs will be deemed the taxpayer.

Hist: Filed 9/20/89 and Eff. 12/31/89

150-321.207(1)

Forestland Valuation Rule

(1) Purpose: The purpose of this rule is to describe the modeling process used to annually develop preliminary forestland values and to clarify the role of the models in the establishment of the final certified forestland values (ORS 321.216).

(2) General Concepts:

(a) Values to be developed by this rule are the values of bare forestland.

(b) Models will be developed to determine the statistical relationship between market sales of highest and best use forestland and reasonable indicators of value related to the forest industry in Oregon.

(c) The relationship between market sales and the indicators that best reflect the changes in forestland value over time will be used to establish the preliminary values.

(d) Separate models will be developed for Eastern Oregon and Western Oregon.

(3) Forestland Sales Data:

(a) The department will collect and verify forestland sales data. Only sales with the following characteristics will be considered:

(A) The current or immediate future use of the land is the growing and harvesting of timber;

(B) The improvement values and other nonforestland values can be accurately extracted from the sale price;

(C) The transaction is at arm's-length;

(D) The purchase consideration is cash or a financing method standard to the real estate market;

(E) The allocated bare land value is greater than \$0, except for the FX productivity class in Western Oregon; and

(F) For Western Oregon sales, the value relationship between acres of each productivity class occurring on the property and sales price is identifiable.

(b) The department will compile the sales data in a forestland sales database.

(c) The department will analyze fiscal year (July 1 to June 30) data to determine a bare land value for each productivity class in Western Oregon and one value for Eastern Oregon. In doing so, the department will:

(A) Exclude individual forestland sales data that indicates values more than two standard deviations from the arithmetic mean of the forestland values for each Western Oregon productivity class or the arithmetic mean of all of the value of sales in Eastern Oregon.

The department will apply this exclusion only once, either to all sales data within a productivity class on a fiscal year basis or on all sales over all years (1993 to current). If a sale is excluded for three consecutive appraisal cycles, it will be permanently excluded.

(B) Calculate the fiscal year forestland value for each productivity class as the arithmetic mean of individual sales data occurring during the fiscal year for classes FA-FX in Western Oregon and for Eastern Oregon as a whole. Only those sales remaining after elimination of any outlying sales as provided in paragraph (3)(c)(A) of this rule will be used to create the average.

(C) Replace fiscal year forestland value data that is unavailable for any of the Western Oregon classes or Eastern Oregon values due to lack of sales or after the application of paragraph (3)(c)(A). The missing data will be replaced as follows:

(i) If the missing data occurs for the first or last fiscal year, then the values will be

replaced by the arithmetic average of the two closest available years for the same class.
(ii) If the missing data occurs in the intervening years, then the missing data will be replaced with the arithmetic average of the preceding and following years of the missing data for the same class.

(D) Develop acreage weighted average forestland value for Western Oregon (WAVWOR) from sales data for the current appraisal year. The acreage weights used in the WAVWOR calculation are:

FA	FB	FC	FD	FE	FF	FG	FX
3.2%	20.3%	30.2%	17.1%	15.1%	10.1%	3.5%	0.5%

(E) Develop average forestland value for Eastern Oregon.

(4) Forestland Models:

(a) Generally:

(A) The modeling process is intended to find statistical relationships between the WAVWORS for Western Oregon or the average forestland value for Eastern Oregon for the period 1993 to present and leading or coincident indicators of forestland value (such as log price trends, stumpage price trends, lumber price trends, and other indicators to be determined by the Department of Revenue).

(B) Indicators of forestland value suitable for use as inputs in the models to obtain forestland values must be:

(i) Developed based on calculation methods and assumptions that are consistent over time,

(ii) Commonly used by the forest industry as indicators of the economic potential for the production of forest products,

(iii) Readily available and verifiable, and

(iv) Relevant to the operation of the forest products industry in Oregon.

(C) The models will be based on statistically significant structural relationships between historical forestland values and leading or coincident indicators of forestland value. If such a structural model cannot be found, then appropriate time series models may be substituted for the structural models.

(D) The relationships between economic variables in the models may not be contradicted by generally accepted economic theories.

(E) The models may be amended and new models may be added in the future if a more statistically significant correlation becomes evident after the addition of subsequent years' sales data.

(F) The models will be re-estimated in each future year after the addition of the subsequent year's sales data. Re-estimation may include changes to the specification of the error or lag structure.

(G) Forecasts of forestland value will be based on a single model and not the average forecasts of several models.

(b) Model Selection Criteria:

(A) Tentative models will be estimated with stumpage, delivered log prices, dimension lumber prices, or other relevant market data at lags of zero to four years to determine the best explanatory variable for inclusion in the final model.

(B) In determining the explanatory variables to be included in the final model, both in- and out-of-sample forecasts will be compared as well as the ability to forecast turning

points in forestland values.

(C) The model that displays the best correlation between the WAVWORS or average forestland value for Eastern Oregon over time and the trends in the indicators will be selected to determine the annual average forestland values (AAFV). "Best" means that the resulting statistical analysis shows major turning points in values while maintaining a close statistical relationship between the forestland values and the indicators.

(5) Determination of Preliminary Forestland Values:

(a) Western Oregon Model:

(A) The selected Western Oregon model will determine AAFV to be used as the basis for the preliminary values.

(B) Western Forestland Class Spread (WFCS) is the percentage of initial value by productivity class, FA through FX, as it relates to the acreage weighted average of these values. This spread is shown below:

Forestland Class	FA	FB	FC	FD	FE	FF	FG	FX
Initial values	\$ 450	\$ 357	\$ 299	\$ 254	\$ 169	\$ 122	\$ 51	\$ 6
WFCS	173%	137%	115%	98%	65%	47%	20%	2%

(C) The WFCS will be used to transform AAFV into preliminary forestland class, FA through FX, values. This will be accomplished by multiplying the AAFV by the WFCS percentage for each individual productivity class.

(b) Eastern Oregon Model: The selected Eastern Oregon model will determine the AAFV to be used as the preliminary value for Eastern Oregon.

(6) Response to Preliminary Values:

(a) Data pertinent to the forestland valuation process that was not evaluated previously may be collected during a review by the Forestland Value Advisory Committee (ORS 321.213) or through written comments submitted during the public hearing on proposed specially assessed forestland values (ORS 321.210). The pertinent data that meets the standards in subsection 3(a) of this rule will be added to the forestland sales database.

(b) The forestland database will be re-analyzed as in subsection 3(c). This includes screening of any outlying sales data as provided in paragraph (3)(c)(A).

(c) Models will be re-evaluated considering the new forestland sales data and pertinent input on indicators that have met the standards of section (3).

(d) The process in sections (4) and (5) will be used to create revised preliminary values.

(7) Final Values: The Department of Revenue will use the revised preliminary values and any other information provided by additional research by the agency, the Forestland Value Advisory Committee, submitted written comments, or the hearing process to determine the final values to be certified under ORS 321.216.

Stat. Auth.: ORS 305.100

Stats. Implemented: ORS 321.257

Hist.: REV 10-2002, f. & cert. ef. 12-31-02, Amended 12-31-04.

150-321.257(3)

Forestland Classification

The forestland classification for western Oregon is as follows:

Land Class	Site Class
FA	I+, I, I-
FB	II, II+
FC	II-, III+
FD	III
FE	III-, IV+
FF	IV, IV-
FG	V
FX	Below site V

Site class is based on Bulletin #201 tables dated 1930 and James King 50 year index tables dated 1966, topographical features, vegetation and soil types.

[Publications: The publication(s) referred to or incorporated by reference in this rule is available from the Department of Revenue pursuant to ORS 183.360(2) and ORS 183.355(6).]

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Stats. Implemented: ORS 321.257(3)

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