

Special Assessment Programs for Forestland



October 2005

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Oregon's forestlands are vast and diverse. Privately owned forestlands 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. Because forestlands are important to Oregon's economic and environmental health, they are taxed differently from other types of properties. 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 Tax 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." They are taxed differently from other types of property.

Landowners who own forestland that the county does not consider highest and best use may apply for "designated" forestlands. 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 Tax Program: Contact the assessor of the county where your forestland

is located. 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 Tax Program is taxed at a rate based on the typical price paid for harvestable timberland. This is often less than RMV. Property taxes under this program vary, depending on the property's location and ability to grow timber.

- Eastern Oregon land is taxed at an average of 55 cents per acre (see county list, page 4).
- Western Oregon land is taxed at an average of \$3.40 per acre. (see county list, page 4).

Severance tax: Because there is no property tax on timber growing on land under the Forestland Tax Program, you do not pay a severance tax when timber is harvested.

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 Option

The Small Tract Forestland (STF) Option 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 Tax Program, the STF Option 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 remaining 80 percent is recovered by the STF Severance Tax 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 Option.

Applications are available at the county assessor's office and online at www.oregon.gov/DOR/TIMBER/forestland.shtml.

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

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

Parcels of land qualify for this option, but must include all forestland contiguous to the parcel. Contiguous property is land owned individually or by any other entity in which you have a majority interest.

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 and removal").

Annual property tax: Land under the STF Option is taxed at 20 percent of the forestland special assessment value, based on the typical price for harvestable timberland.

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

- Eastern Oregon land is taxed at an average of 11 cents per acre (see county list, page 4).
- Western Oregon land is taxed at an average of 68 cents per acre (see county list, 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 five years. Contact your county assessor for more information.

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

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

STF Severance Tax

Purpose of the tax: The STF Severance Tax applies to timber harvested from STF Option 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 rate for the STF Severance Tax is in dollars per 1,000 board feet (\$/MBF).

- The 2005 eastern Oregon tax rate is \$3.12 per MBF (see county list, page 4).
- The 2005 Western Oregon tax rate is \$4 per MBF (see county list, page 4).

Rates change annually to adjust for 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.

What is taxed? Generally, logs or chips removed from land under the STF Option 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 small logs less than 8 inches in diameter are converted using a rate of 11 tons/MBF.

- Loads of logs with more than two logs greater than 8 inches in diameter are converted at a rate of 7.5 tons/MBF.
- Loads of chips are taxable unless they are made from utility grade or lower grade logs and will be used as "hog fuel."

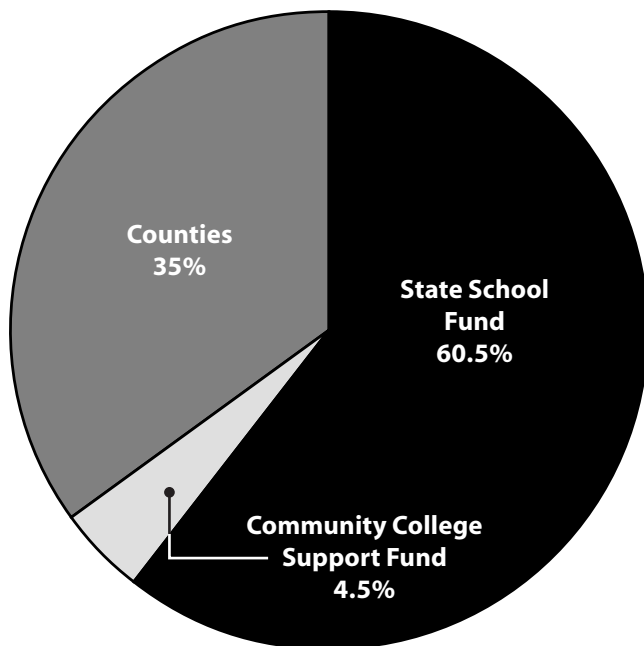
Tax forms: Tax forms for the STF Severance Tax are available from the Department of Revenue. We mail returns in December of the harvest year, or the next January. We receive the mailing information from information landowners file with the Department of Forestry when they harvest timber.

The law requires landowners to mail completed returns to DOR, even if no tax is due. For contact information, see "Where to go for help," last page.

Due date: The STF Severance Tax is due January 31 of the year following the harvest.

Late returns are assessed penalty and interest. A 5-percent penalty is assessed for returns filed between January 31 and April 30; a 25-percent penalty is assessed for returns filed after April 30. The 2005 daily interest rate is .000137 percent of the tax due.

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. When that happens, 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.

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 live trees.

Annual property tax: Land under this program is taxed at a special rate, based on its potential farm or ranch income. The value is often less than RMV

and may be less than specially assessed forestland values.

Disqualification or removal: The county assessor may disqualify lands that do not meet program standards. The owner must pay the difference between the tax paid and the RMV. The total is computed on a period of five or 10 years, based on county criteria.

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 onsite 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.

General information

May I change from one forestland option to another?

You may put your property into a farm special assessment, the Forestland Tax Program, or the STF Option if your land qualifies for these programs. You may also put your property into the Wildlife Habitat Conservation Program. To learn more about this program, contact the Department of Fish & Wildlife, 503- 947-6000 (Salem), 1-800-720-6339 (toll-free from an Oregon prefix), www.dfw.state.or.us/lands/whcmp_overview.html, or odfw.info@state.or.us. You may make these changes without paying additional tax.

Where to go for help

Contact us for information on the forestland programs, the impact of these programs on timber, and for STF Severance Tax forms.

General tax information www.oregon.gov/DOR
Salem 503-378-4988
Toll-free from Oregon prefix..... 1-800-356-4222
E-mail timber.tax.help@state.or.us

Asistencia en español:

Salem 503-945-8618
Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem 503-945-8617
Toll-free from Oregon prefix..... 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

You may also visit our Salem office. Please call or e-mail to make an appointment.

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 telephone 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 telephone directory.

Oregon Department of Forestry

For information on forest management, forest management planning, and the forestland programs, see “STATE GOVERNMENT—Forestry Department” in your telephone 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, Yamhill.

Eastern Oregon

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