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Background Brief on...

# Timber Revenue

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## Background

Currently Oregon timber taxes include property tax on the assessed value of privately owned forestland and the Forest Products Harvest Tax, which is levied per thousand board feet harvested and are used to fund various Department of Forestry programs, forest research, and the Oregon Forest Resources Institute. Various statutes distinguish forestland from farmland or other land uses and allow land that is not zoned as forestland to be designated as forestland subject to penalties, if it is converted to a non forest use. Historically, Oregon timber taxes have also included, at one time or another, property tax on the value of standing timber, severance or privilege taxes on the value of timber harvested, and special programs for cutover lands and land in small ownerships.

Local governments in Oregon also receive revenue from state managed forestlands and from federally managed forestlands. Revenues are also received from state income taxes and from assessments for fire suppression but these are not included as timber revenues.

Prior to 1929, all private forestland (8 million acres) and the value of standing timber on the land were subject to property taxation. Between 1929 and 1977, a Forest Fee and Yield Tax was allowed for reforestation lands (860,000 acres) in lieu of property taxes. In 1953, a Forest Products Harvest Tax was imposed per thousand board feet on all merchantable harvests from both public and private land. In 1961, the Small Tract Option allowed property tax on the productivity value of qualified forestland (200,000 acres) in western Oregon. In 1962 (eastern Oregon) and in 1977 (western Oregon), severance taxes were imposed on the value of timber harvested in lieu of property tax on the value of standing timber with the value of both forestland and timber harvested determined by the Department of Revenue. The 1977 legislation returned the reforestation lands to the regular program over roughly 20 years. State-collected severance taxes were distributed to local taxing districts.

## Oregon Law

As of July 1, 2004, all forestland is subject to the Forest Products Harvest Tax and all private forest land is taxed under the Oregon Forestland program (sometimes referred to either as the 100% program or the industrial program) unless the owner elects to have qualified parcels taxed under the Small Tract Forestland program. Under the Oregon Forestland program, forest land is assessed for property tax at the lesser of either its maximum assessed value or its specially assessed value as determined by the Department. There are no privilege or severance taxes imposed at the time of harvest other than the Forest Products Harvest Tax. Under the Small Tract Forestland program, forest land has a specially assessed value equal to 20% of the value determined by the Department and the 2004-05 values are limited as shown in the table below. The reduced tax (relative to being taxed under the Oregon forestland program) is deferred. Deferrals older than 10 years are written off.

Forest land in the Small Tract Forestland program must pay a severance tax at the time of harvest in addition to the Forest Products Harvest Tax.

Revenue from the sale of timber off state-owned lands goes to the Common School Fund. Net revenue from the sale of timber off county trust lands, which are state managed, goes to the local taxing districts that include these lands.

**Federal Law**

Federal legislation requires that revenue from the sale of timber off U.S. Forest Service lands (1908) and Oregon and California Railroad lands (1937) be shared with local governments. Each National Forest Reserve pays 25% of its revenue to counties in the reserve with

25% going to the county school fund and 75% to the county road fund. The Bureau of Land Management pays 50% of the revenue from O & C lands to the counties in which the sales occur. Under a 1939 Act, the federal government makes payments equal to but in lieu of property tax to local taxing districts. 1993 legislation provided minimum payments, through 2003, for lands affected by the Spotted Owl. 2001 legislation allowed counties to elect to receive payments, through 2005-06, based on the average payment for the highest 3 years between 1986 and 1990.

**Revenues**

The table below shows actual and estimated timber revenues for tax and ownership groups in millions of dollars.

*The table below shows actual and estimated timber revenues for tax and ownership groups in millions of dollars* **ACTUAL AND ESTIMATED TIMBER REVENUES**

Fiscal Year	Privately Owned Land		Publicly Owned Land		Forest Products Harvest	Total
	Property Tax	Severance / Privilege Tax	State	Federal		
1990-91	15.24	58.02	29.05	247.10	4.12	353.60
1991-92	16.83	54.34	45.07	232.42	8.41	357.07
1992-93	20.02	51.83	38.15	215.70	9.26	334.96
1993-94	20.10	64.24	47.50	208.14	9.94	349.92
1994-95	20.92	68.41	61.01	196.64	8.70	355.67
1995-96	4.43	55.12	57.66	184.19	8.01	309.41
1996-97	4.66	43.79	79.92	167.54	7.96	303.87
1997-98	4.42	37.30	58.94	162.41	8.77	271.85
1998-99	4.55	35.93	75.86	153.59	13.05	282.98
1999-00	4.69	32.68	93.32	145.32	11.11	287.12
2000-01	14.12	23.68	67.44	221.89	10.48	337.61
2001-02	14.63	18.90	75.09	224.16	9.67	340.72
2002-03	15.14	13.30	83.94	226.92	11.42	350.72
2003-04	23.44	4.69	85.55	229.83	11.89	355.4

\* Rates for some programs are set by each Session of the Legislature.

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