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Legislative Committee Services
State Capitol Building
Salem, Oregon 97301
(503) 986-1813

Background Brief on ...

Timber Revenue

Prepared by: Mary Ayala

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 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. 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 were 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 percent 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 of Revenue. There are no severance taxes imposed at the time of harvest other than the Forest Products Harvest Tax. Under the Small Tract

Forestland (**STF**) program, forest land has a specially assessed value equal to 20 percent of the value determined by the department. In lieu of paying 100 percent, the 80 percent is deferred and a severance tax based on the volume, not the value, of the timber must be paid at time of harvest in addition to the Forest Products Harvest Tax.

An owner of a disqualified specially assessed parcel that had been designated forestland must repay the deferred taxes that would otherwise have been assessed against the land for the lesser of the time the land was designated forestland or ten years. An owner of a disqualified specially assessed parcel that had been designated STF must repay the deferred taxes that would otherwise have been assessed against the land for the lesser of the time the land was designated STF or five years.

Revenue from the sale of timber located on 124,000 acres of state-owned, Common School Fund lands goes to the Common School Fund. Revenue from the sale of timber located on 658,000 acres of state-owned and managed county trust lands, also known as Board of Forestry (**BOF**) land, goes to the counties. Twenty-five percent is used for funding schools, 25 percent is used for county administration, and the remainder is distributed to other local taxing districts that provide services to the BOF Land.

Federal Law

Federal legislation requires that revenue from the sale of timber off U.S. Forest Service lands (1908) and Oregon and California Railroad (**O&C**) lands (1937) be shared with local governments. Each National Forest pays 25 percent of its gross revenue to counties in the forest with 25 percent going to the county school fund and 75 percent to the county road fund. The Bureau of Land Management pays 50 percent of the gross revenue from O&C lands to the 18 O&C counties under the O&C formula. Beginning in 1993, federal legislation provided minimum payments for lands affected by the spotted owl. The Secure Rural Schools & Community Self-Determination Act of 2000

(Public Law 106-393) allowed counties to elect to receive payments based on the average payment for the highest three years between 1986 and 1990. This Act, however, expired in September 2006.

In 2007, the federal government extended provisions of the Act for one year. There is a substantial risk that the federal government will not continue the program beyond the one-year extension. The immediate and long-term impacts on counties that received these payments have not been estimated fully to date. However, in 2006 the payments totaled about \$282 million; and 58 percent of this loss would have impacted 5 counties: Douglas (-\$51.5million), Lane (-\$52 million), Jackson (-\$24 million), Klamath (-\$20 million), and Josephine (-\$17 million) (see the Legislative Revenue Office's Research Report #05-07 - [*Oregon Forestland Revenue - Impacts on State and Local Public Services*](#) - for a complete listing). Some counties may be unable to fully recoup their losses by imposing additional property taxes because of very low permanent rates under Measure 50 and because a local option levy might force tax rates into compression under Measure 5.

Revenues

The table below shows actual timber revenues for tax and ownership groups in millions of dollars. The state revenues have been revised from fiscal year 1995-1996 forward in order to reflect gross figures that include the Oregon Department of Forestry's share that is used for administration, management, and support services before it transfers remaining balances to counties. Federal revenues listed in the table reflect county receipts. Property taxes on forestlands listed in the table are based on land that has been assessed as "Highest and Best Use" forestland, "Designated Forestland," and "Small Tract Forestland," exclusive of any improvements on these parcels.

Staff Contact

Mary Ayala
[Legislative Revenue Office](#)
503-986-1262

<p><i>The table below shows actual and estimated timber revenues for tax and ownership groups in millions of dollars</i></p> <p>ACTUAL AND ESTIMATED TIMBER REVENUES</p>						
	Privately Owned Land		Publicly Owned Land		Forest Products Harvest	
Fiscal Year	Property Tax	Severance / Privilege Tax	State	Federal		Total
1990-91	15.24	58.02	29.05	247.1	4.12	353.6
1991-92	16.83	54.34	45.07	232.42	8.41	357.07
1992-93	20.02	51.83	38.15	215.7	9.26	334.96
1993-94	20.1	64.24	47.5	208.14	9.94	349.92
1994-95	20.92	68.41	61.01	196.64	8.7	355.67
1995-96	4.43	55.12	62.5	184.19	8.01	314.25
1996-97	4.66	43.79	82.99	167.54	7.96	306.94
1997-98	4.42	37.3	59.16	162.41	8.77	272.06
1998-99	4.55	35.93	82.89	153.59	13.05	290.01
1999-00	4.69	32.68	99.4	145.32	11.11	293.2
2000-01	14.12	23.68	85.83	221.89	10.48	356
2001-02	14.63	18.9	83.14	243.04	9.67	369.38
2002-03	15.58	13.3	83.59	243.25	11.42	367.14
2003-04	13.6	3.79	89.85	244	11.94	363.18
2004-05	17.49	1.05	97.11	247.86	13.02	376.53
2005-06	18.09	0.74	100.74	254.03	12	385.6
2006-07	16.98	0.52	103.64	288.9	10.53	420.57
<p>Rates for some programs are set by each session of the legislature. Source: FY0607 Annual SAL Property Tax Data for property taxes, Table 2C. Source: DOR - Forest Products Taxes and Severance Taxes Source: Association of Oregon Counties - Federal Forest Payments to Counties. Sources: 'The 2007 Report of the Council of Forest Trust Land Counties', (ODF, p.5, Table 3) and 'The 2007 Status of Common School Forest Land Management', (ODF, p.7, Table 1) for timber revenues derived from state-owned and county-trust forest lands.</p>						