



LPRO: Legislative Policy and Research Office

# TIMBER REVENUE

## BACKGROUND BRIEF

The growing and harvesting of trees on both private and public forestland generates timber revenue. Property taxes are collected on the value of private forestland. A severance tax applies to the value of trees harvested on small tracts in private ownership. A forest products harvest tax is levied on the volume of harvested timber from both private and public land. Historically, Oregon timber taxes have included property tax on the value of standing timber and special programs for reforestation of cutover lands, but these are no longer in effect.

### OREGON LAW

#### *Local Revenue:*

Local governments receive timber revenue from property taxes and severance taxes. Property taxes apply to the assessed value of privately owned forestland and severance taxes apply to the harvesting of timber on small tracts of forestland. Forestland is distinguished, by statute, from farmland or other land uses and statute allows land that is not zoned as forestland to be designated as forestland subject to penalties if it is converted to a non-forest use.

All private forestland 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, forestland is

assessed for property tax at the lesser of either its maximum assessed value or its specially assessed value as determined by the Oregon Department of Revenue (DOR). There are no severance taxes imposed at the time of harvest other than the Forest Products Harvest Tax (FPHT).

Under the Small Tract Forestland (STF) program, an owner of 4,999 acres or less can apply to the county assessor to have qualified parcels taxed under the STF program. This forestland has a specially assessed value equal to 20 percent of the value determined by the DOR. In lieu of paying tax on 100 percent of assessed value, 80 percent of the tax is deferred and a severance tax, based on the volume, not the value, of

the timber must be paid at the time of harvest along with the FPHT.

If the county disqualifies a specially assessed parcel of previously designated forestland, the owner must repay the amount of the tax reduction (deferred taxes) they received for up to the previous five years. If the county disqualifies a specially assessed parcel previously designated STF, the owner must repay the amount of the tax reduction (deferred taxes) they received for up to the previous ten years.

Local governments in Oregon also receive shared revenue from state-owned and trust

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## TIMBER REVENUE

forestlands and from federally owned forestlands.

### *State Revenue:*

All forestland is subject to the FPHT. For calendar year 2016, the combined tax rate is \$3.7287 per thousand board feet harvested. The tax is used to fund the administration of the Oregon Forest Practices Act by the Oregon Department of Forestry (ODOF), the Forest Research Laboratory and fire suppression.

Revenue, after administrative expenses, from the sale of timber located on 119,774 acres of state-owned Common School Fund (CSF) land goes into the CSF. The earnings from the CSF are distributed to school districts.

There are 658,000 acres of state-owned and managed county trust lands, also known as Board of Forestry (BOF) land. After certain transfers, about 66 percent of the revenue from the sale of timber from this land goes to the county where it was harvested. After no less than 10 percent for county administration, 25 percent of the remainder goes to the County School Fund for distribution to school districts and the balance is distributed to other local taxing districts that provide services to BOF land.

### FEDERAL LAW

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Federal legislation requires that revenue from the sale of timber off United States Forest Service lands (1908) and Oregon and California Railroad (O&C) lands (1937) be shared with local governments. Each national forest paid 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 (BLM) paid 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. Subsequently, 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. The Act expired in 2006.

In 2007, the federal government extended provisions of the Act for one year. In 2008, the provisions were extended for an additional four years, but at a declining percentage of base-year revenue. In 2009-10, revenue was 80 percent of federal payments for fiscal year 2006 and in 2010-11, 70 percent. For 2011-12, revenue was 90 percent of the 2010-11 levels, and the Act was reauthorized for 2012-13 at 95 percent of 2011-12 levels, or \$107.4 million. In April 2015, the Act was reauthorized for an additional two years. It retained the annual decrease, with the full funding amount set at 95 percent of the full funding amount for the preceding fiscal year.

There is a substantial risk that the federal government will not continue the program beyond the current extension. More than half of the revenue loss impacts the five counties with largest tracts of federal timber: Douglas, Lane, Jackson, Klamath and Josephine. Some counties may be unable to fully recoup their loss of revenue by imposing voter-approved, local-option property taxes because Measure 5 (1990) limits may force local-option tax rates into compression even though Measure 50 (1997) set very low permanent county rates.

### REVENUES

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The table on page 4 shows timber revenues for ownership and tax groups in millions of dollars. State revenues reflect gross figures that include ODOF's share that is used for



## TIMBER REVENUE

administration, management and support services before it transfers remaining balances to counties. The table reflects a county's receipt of federal revenues and property taxes on forestlands 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.

### TIMBER TAX HISTORY

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Prior to 1929, the value of 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 FPHT was imposed per thousand board feet on all merchantable harvests from both public and private land. In 1961, the Western Oregon Small Tract Option allowed property taxes based 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 DOR. The 1977 legislation returned the reforestation lands to the forest program over a 20-year period. State-collected severance taxes were distributed to local taxing districts.

In 1991, a privilege tax replaced the severance tax to avoid any conflict with the Measure 5 property tax limit and the tax rate was phased down. In 1993, standing timber became exempt from property tax, but privilege taxes levied on timber harvest value were preserved equivalent to 80 percent of property taxes. Forestland property taxes accounted for the remaining 20 percent.

By 1996, the privilege rate was 3.2 percent and applied to all private harvests in western Oregon except the small tract option. The eastern Oregon rate was 1.8 percent. Property tax levies submitted by local taxing districts were reduced by privilege tax revenue until 1997-98 and the beginning of Measure 50.

The 1999 legislature created a new program that phased out the privilege tax at harvest with full exemption in 2003. Standing timber was exempted from property taxes and the taxation of forestland was fully integrated into the property tax system. The new forestland valuation applied to all forestland ownerships greater than 5,000 acres. To mimic the cut-and-cap procedure for determining maximum assessed value under Measure 50, the maximum assessed value base was calculated by taking the 1995 indexed statutory value and reducing it by 10 percent. This value can then grow by 3 percent per year. Specially assessed value was phased up to 100 percent of statutory value as adjusted by Measure 50 by 2003.

As an alternative for small forestland owners, a new small tract option privilege tax was developed in 2003. Privilege tax revenue is distributed to counties (not offset) for distribution to taxing districts except for education. The school share (65 percent) is divided between the State School Fund (93 percent) and the Community College Support Fund (7 percent).

For more detail refer to the [Legislative Revenue Office](#) website under publications:

“[Revenues from Timber in Oregon](#)” Research Report #2-13



# TIMBER REVENUE

**Table 1: Timber Revenue By Ownership and Source  
Actual and Estimates in \$ millions**

Fiscal Year	Privately Owned Land		Publicly Owned Land		Forest Products Harvest Tax	Total
	Property Tax	Severance Tax	State	Federal		
1995-96	\$4.43	\$55.12	\$62.50	\$184.19	\$8.01	\$314.25
1996-97	4.66	43.79	82.99	167.54	7.96	306.94
1997-98	4.42	37.30	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	99.40	145.32	11.11	293.20
2000-01	14.12	23.68	85.83	221.89	10.48	356.00
2001-02	14.63	18.90	83.14	243.04	9.67	369.38
2002-03	15.58	13.30	83.59	243.25	11.42	367.14
2003-04	13.60	3.79	89.85	244.00	11.94	363.18
2004-05	17.49	1.34	97.11	247.86	13.02	376.53
2005-06	18.09	1.06	100.74	254.03	12.00	385.60
2006-07	16.98	0.90	103.64	288.95	10.53	420.62
2007-08	15.71	0.51	90.72	288.35	10.18	405.47
2008-09	18.64	0.22	80.38	263.39	11.68	374.31
2009-10	19.18	0.22	81.07	199.81	10.96	311.24
2010-11	18.52	0.25	69.75	104.30	11.33	204.15
2011-12	19.26	0.38	70.82	101.58	12.90	204.94
2012-13	20.42	0.53	77.16	100.40	14.15	212.66
2013-14	20.69	0.61	80.29	96.78	14.92	213.29
2014-15	21.38	0.66	92.85	89.42	13.71	196.64

Rates for some programs are set by each session of the legislature.  
 Source: DOR - Property Tax Data with Revenue Estimate.  
 Source: DOR - Forest Products Taxes and Severance Taxes  
 Source: Association of Oregon Counties - Federal Forest Payments to Counties.  
 Sources: "The Council of Forest Trust Land Counties Annual Report, Fiscal Year 2015" (ODF, p. 4, Table 3) and "The Common School Forest Lands Annual Report," (ODF, p. 7, Table 4) for state-owned and county-trust forestlands.



# TIMBER REVENUE

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*The Legislative Revenue Office (LRO) is a permanent, non-partisan legislative service agency. It provides research and analysis on tax policy and school finance issues for legislators, legislative committees, and their staffs. Background Briefs are intended to give the reader a general understanding of a subject, and are based on information which is current as of the date of publication. Legislative, executive, and judicial actions subsequent to publication may affect the timeliness of the information.*