

# Special Assessment Programs for Forestland

Because privately owned forestlands are important to Oregon's economic and environmental health, they 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. 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 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." Landowners who own forestland that the county does not consider "highest and best use" may apply to have the land "designated" as forestland. 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 special assessment program:** Contact the assessor of the county where your forestland is located to obtain an application. 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 STF program is taxed at 20 percent of the forestland special assessment value. Property taxes under this program vary, depending on the property’s location and ability to grow timber. For specific tax rates, contact the assessor’s office for the county in which your property resides

**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 10 years. Contact your county assessor for more information. Once land is disqualified from the STF program, it cannot qualify again for five years.

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

**STF severance tax:** The STF severance tax applies to timber harvested from STF program 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 rates for the STF severance tax is in dollars per 1,000 board feet (\$/MBF). Rates may change annually to reflect 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. Contact us or visit our website for current year rates.

**What is taxed?** Generally, logs or chips removed from land under the STF program 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 logs containing a minimum of 20 percent of the log count with a 5-inch, 6-inch, and 7-inch scaling diameter are converted to MBF by dividing the tons by the “Chip logs” conversion factor of 11.
- Loads of logs in which all logs measure 5-inch scale and larger or the load contains three or more logs with 8 inch or larger scaling diameter are converted to MBF by dividing the tons by the “Saw logs” conversion factor of 7.5.
- Loads of chips are taxable unless they are made from utility grade or lower grade logs and are used as “hog fuel.”
- Logs scaled as utility grade or lower are exempt from this tax.

**Tax forms:** Tax forms for the STF severance tax are mailed by the Department of Revenue in December of the harvest year, or the next January. The department identifies potential harvesters and mails the forms based on information provided on the notification of operations from the Department of Forestry and the STF applications from the county assessors. The law requires timber owners to mail completed returns to us, even if no tax is due.

**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.

- **Special Assessment Programs for Forestland**
- **Application for Designation of Land as Forestland**
- **Application for Small Tract Forestland**