

Deferred tax system recommended for small woodland owners

At long last, family forest owners have a hint of what their future property taxes will be. Several years ago, large landowners (those with over 5,000 acres) were required to pay all of the specially assessed forestland values (SAFV) every year. While this system works well for industrial forests that harvest significant timber every year, smaller landowners were promised an alternative. Since forestland owners must apply for inclusion in the deferred payment plan

before July 1, 2003, the recommendations of the Tax Working Group come just in time for the legislature to act during the upcoming session.

Small woodlands (defined as between 10 and 5,000 acres) are often family-owned farms that have multiple management goals. These non-industrial goals can include improving habitat, recreation, water quality and aesthetics, in addition to generating revenue. Small tree farmers often have very long rotation periods between timber harvests. While the industry standard is 30 to 40 years, a small tree farmer may not harvest for 50 or more years. These smaller farms also experience greater relative impact of regulations, estate taxes and difficulty in accessing markets, than do large companies with continual harvest.

Unless another tax option is created, all forestland owners will be included in the Large

Landowner Default Tax System (LLDTS). Property owners with less than 10 acres, or more than 5,000 acres, will remain in the LLDTS. Under this plan, landowners pay 100% of the SAFV every year. No additional tax is assessed at the time of harvest, an advantage for property owners that conduct annual harvests. However, when a property owner cannot harvest every year, the need to create annual income could be devastating.

Following an unsuccessful attempt to find a solution to this complicated problem, a group established by HB 3575 has made three recommendations:

First, they are recommending a 20/80 deferred tax system, similar to the current Privilege Tax Program. Landowners would pay 20 percent of the SAFV every year. Small forestland owners would also pay a harvest tax that would recover the unpaid 80 percent of the SAFV. Payment of the deferred tax would be based on the volume of timber removed over a rotation, rather than its value, according to Paul Nys, of the Oregon Small Woodlands Association (OSWA) and a member of the Tax Working Group (TWG).

The TWG had planned to in-

clude a tax incentive for landowners who focus on producing ecosystem services that benefit the public but, according to Nys, decided to recommend the 20/80 plans alone, because of the current budget crisis. According to the OSWA, both the Oregon Department of Forestry and the Oregon Department of Revenue recommended that the tax deferral plan stand alone in order to get the support of other stakeholders.

The second recommendation is to refer the conservation option to the Conservation Incentives Work Group (also established by HB3575). Sara Vickerman, of Defenders of Wildlife, told OSWA that the committee "missed an opportunity to draft a bill that would give a tax break to landowners that exceed legal requirements for conservation measures."

The final recommendation is that efforts continue to find ways to reduce the combined fire patrol and property tax burden on eastern Oregon forestland owners.

The recommendations must be accepted by the legislature before property owners have the opportunity to select the 20/80 deferred tax plan.

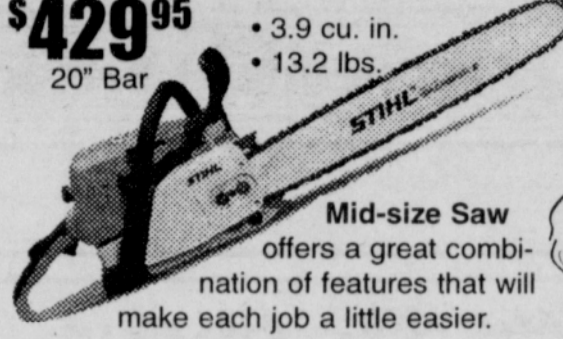


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