

# Senate Bill 568

Sponsored by Senator KNOPP (Presession filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes tax credit for reforestation of commercial forestland following loss from catastrophic fire event. Makes tax credit applicable for losses incurred from catastrophic fire during fire loss years that begin on or after November 1, 2018, and end on or before October 31, 2024. Makes tax credit available for up to three tax years after year in which State Forester issues preliminary certificate for loss.

Applies to tax years beginning on or after January 1, 2019, and before January 1, 2029.  
Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to financial relief for commercial forestlands damaged by catastrophic fire events; and  
3 prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Sections 2 to 4 of this 2019 Act are added to and made a part of ORS chapter**  
6 **315.**

7 **SECTION 2. As used in sections 2 to 4 of this 2019 Act:**

8 (1) "Catastrophic fire event" means a fire that:

9 (a) Results in the payment of moneys from the Oregon Forest Land Protection Fund to  
10 reimburse emergency fire suppression costs;

11 (b) Causes damage to at least 50 percent of the timber on a forestland property; or

12 (c) Is declared by the State Forester to be a catastrophic fire event.

13 (2) "Commercial forestland" has the meaning given that term in ORS 526.455.

14 (3) "Fire loss year" means a period that begins on November 1 each year and ends on  
15 October 31 of the next following calendar year.

16 (4) "Landowner" has the meaning given that term in ORS 526.455.

17 (5) "Net reforestation costs" means reforestation costs minus any salvage value.

18 (6)(a) "Reforestation costs" means the labor, technical and other costs incurred after a  
19 catastrophic fire event to harvest trees killed or damaged by the event, remove fuel and dead  
20 overstory, prepare a site for replanting and replant forestland in accordance with a  
21 reforestation project plan approved by the State Forester.

22 (b) "Reforestation costs" does not mean:

23 (A) Any expense eligible for federal cost share assistance;

24 (B) Any amounts paid or incurred to purchase or otherwise acquire forestland; or

25 (C) The cost of purchase or other acquisition of tools and equipment with a useful life  
26 of more than one year.

27 (7) "Salvage value" means the monetary amount, after deduction of sales costs, realizable  
28 from selling harvested trees that were killed or damaged due to a catastrophic fire event.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.  
New sections are in **boldfaced** type.

1       **SECTION 3.** (1) To apply for a preliminary certificate that allows a tax credit under sec-  
2 tion 4 of this 2019 Act, a landowner must file a written request for a preliminary certificate  
3 with the State Forester during the period beginning November 1 and ending December 31  
4 immediately following a fire loss year in which in which the catastrophic fire event occurred.  
5 The request must include, at a minimum, a reforestation project plan for the damaged  
6 commercial forestland, any information required by State Board of Forestry rule and any  
7 additional information that the State Forester considers necessary or useful to determine  
8 the applicable commercial forestland category under subsection (4) of this section. To the  
9 extent practicable, the State Forester shall complete the processing of all written requests  
10 for preliminary certificates for a fire loss year no later than March 1 following the close of  
11 the request filing period.

12       (2) The State Forester shall issue a preliminary certificate to a landowner under this  
13 section if the State Forester determines that:

14       (a) The commercial forestland of the landowner has incurred damage from a catastrophic  
15 fire event;

16       (b) The landowner has filed or agreed to an acceptable reforestation project plan for the  
17 commercial forestland; and

18       (c) The landowner is likely to incur net reforestation costs under the reforestation  
19 project plan.

20       (3) The board shall adopt rules establishing commercial forestland categories for use by  
21 the State Forester in calculating the maximum net reforestation costs resulting from a  
22 catastrophic fire event for which a tax credit could be allowed under section 4 of this 2019  
23 Act. The factors that the board considers in identifying a commercial forestland category  
24 may include, but need not be limited to, slope, age class and tree species.

25       (4) The State Forester shall determine the commercial forestland category applicable to  
26 commercial forestland described in a preliminary certificate application. The State Forester  
27 shall use the commercial forestland categories to calculate, for each preliminary certificate,  
28 the maximum net reforestation costs for which a tax credit could be allowed under section  
29 4 of this 2019 Act. However, if the total of all preliminary certificates to be issued for a fire  
30 loss year would exceed \$2 million, the State Forester shall reduce the maximum net  
31 reforestation costs for each certificate on a pro rata basis.

32       (5) In accordance with applicable provisions of ORS chapter 183, the board may adopt  
33 rules necessary for the administration of this section.

34       **SECTION 4.** (1) Except as provided in subsection (6) of this section, a taxpayer that  
35 possesses a preliminary certificate issued under section 3 of this 2019 Act and an annual  
36 certificate issued under subsection (5) of this section is allowed a credit against the taxes  
37 otherwise due under ORS chapter 316, or, if the taxpayer is a corporation, under ORS chap-  
38 ter 317 or 318.

39       (2) For the tax year in which the preliminary certificate is issued, the amount of the  
40 credit is the lesser of:

41       (a) Fifty percent of the net reforestation costs actually paid or incurred by the taxpayer  
42 during the tax year due to a catastrophic fire event; or

43       (b) Twelve and one-half percent of the maximum net reforestation costs allowed under  
44 the preliminary certificate.

45       (3) For the two tax years next following the tax year in which the preliminary certificate

1 is issued, the amount of the credit is the lesser of:

2 (a) Fifty percent of the net reforestation costs actually paid or incurred since issuance  
3 of the preliminary certificate, reduced by the amount of any credits claimed under the cer-  
4 tificate in prior years; or

5 (b) Twelve and one-half percent of the maximum net reforestation costs allowed under  
6 the preliminary certificate.

7 (4) For the third tax year next following the tax year in which the preliminary certificate  
8 is issued, the amount of the credit is the lesser of:

9 (a) Fifty percent of the net reforestation costs actually paid or incurred since issuance  
10 of the preliminary certificate, reduced by the amount of any credits claimed under the cer-  
11 tificate in prior years; or

12 (b) Fifty percent of the maximum net reforestation costs allowed under the preliminary  
13 certificate, reduced by the amount of any credits claimed under the certificate in prior years.

14 (5)(a) To qualify for a tax credit under this section, a landowner must submit an annual  
15 certificate issued by the State Forester. The annual certificate must accompany the claim  
16 for the credit or otherwise be filed in a manner acceptable to the Department of Revenue.  
17 The State Forester may issue an annual certificate to a landowner for the tax year only if  
18 the State Forester is satisfied that:

19 (A) The land remains commercial forestland; and

20 (B) The landowner is in material compliance with the reforestation project plan for the  
21 commercial forestland.

22 (b) The State Forester may, at any reasonable time, conduct a physical inspection of  
23 commercial forestland to verify information described in paragraph (a) of this subsection.

24 (6) A credit may not be claimed under this section for net reforestation costs that a  
25 taxpayer incurs after the third tax year following the year in which a preliminary certificate  
26 is issued.

27 (7) The credit provided under this section shall be in addition to and not in lieu of any  
28 depreciation or amortization deduction to which the taxpayer otherwise may be entitled with  
29 respect to the reforestation project, and the credit does not affect the computation of basis  
30 for the forestland.

31 (8) In accordance with applicable provisions of ORS chapter 183, the Department of Re-  
32 venue and the State Forestry Department may adopt rules necessary for the administration  
33 of this section.

34 (9) Any landowner affected by a determination regarding the net reforestation costs tax  
35 credit made by:

36 (a) The State Forester may appeal that determination in the manner provided in ORS  
37 526.475 (1).

38 (b) The Department of Revenue may appeal that determination in the manner provided  
39 in ORS 526.475 (2).

40 **SECTION 5.** (1) As used in this section, “catastrophic fire event,” “fire loss year” and  
41 “reforestation costs” have the meanings given those terms in section 2 of this 2019 Act.

42 (2) Notwithstanding ORS 315.037, sections 2, 3 and 4 of this 2019 Act apply to:

43 (a) Reforestation costs related to catastrophic fire event losses incurred, as determined  
44 by the State Forester, during a fire loss year that begins on or after November 1, 2018, and  
45 ends on or before October 31, 2024; and

1       **(b) Tax years beginning on or after January 1, 2019, and before January 1, 2029.**  
2       **SECTION 6.** **This 2019 Act takes effect on the 91st day after the date on which the 2019**  
3 **regular session of the Eightieth Legislative Assembly adjourns sine die.**  
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