

Background

Oregon does not tax standing timber, but instead imposes a privilege tax – the Forest Products Harvest Tax (FPHT) -- on the volume of timber at harvest. The FPHT is collected, administered, and distributed by the Department of Revenue.

House Bill 2379

The bill as introduced would replace the FPHT with a five percent severance tax on the value of timber at harvest. It does not specify whether the value is to be determined as the timber is cut, when it is milled, or at some other time. The Department of Revenue would have to re-program systems for the new tax program, and create new forms, procedures, and rules.

If the bill's intent is that the timber value will be determined by the department using more than self-reporting of sales invoices from taxpayers, the department would have to also hire additional staff to complete these valuations.

The bill makes severance tax returns due at the end of January, a potentially confusing change for taxpayers because the return due date was changed, by 2019 Senate Bill 81, to April 15 beginning in 2021.

The bill also requires the department to mail a tax return, language that is outdated now that taxpayers and the department are increasingly using online returns.

The -3 amendment replaces the bill and reinstates the reforestation income tax credit that expired in 2012. The amendment neglects to update ORS 315.104 to bring the sunset date forward to 2027.

The -5 and -6 amendments address the foregoing concerns about the bill as introduced, but also raise a new question regarding how to determine the rate for a harvester who may not be a timber landowner or may not be harvesting on their own land.

Recommendation

Clarify how and when timber is to be valued under the proposed severance tax program and require returns to be due April 15 and allow online returns rather than by mail only. Also clarify how and when the Department of Revenue should determine how much land a timber harvester owns for the sake of graduated rates.

Agency Contact

Seiji Shiratori, Policy Director, Property Tax Division – seiji.shiratori@oregon.gov (503) 877-7932