

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 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. Nor does it specify how the value would be determined. At a minimum, the Department of Revenue would have to re-program systems to adjust to the new tax program, as well as create new forms, procedures, and possibly 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The bill also requires the department to mail a tax return, language that is outdated now that taxpayers and the department are increasingly using online returns.

Recommendation

Establish legislative intent to clarify how and when timber is to be valued under the proposed severance tax program. Require returns to be due April 15 and allow online returns rather than by mail only.

Agency Contact

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