

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
81st Oregon Legislative Assembly
2022 Regular Session
Legislative Revenue Office

Bill Number:	SB 1502 - 5
Revenue Area:	Personal & Corporate Income Taxes, Estate Tax
Economist:	Kyle Easton
Date:	2/22/2022

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Creates personal income, corporate income or excise, and estate tax credit for small forestland owner that elects to harvest timber under restrictions applicable to large forestland owner. To qualify, taxpayer is required to conduct a timber harvest in a riparian area that is adjacent to a riparian area subject to the Oregon Forest Practices Act and equal in size to, or larger than, that portion of the forest conservation area that the small forestland owner elects not to harvest and claim the credit for. Taxpayer is required to abide by the standard practice harvest restrictions, which remain in effect for the non-harvested area for 50 years.

Credit amount is equal to the sum of the following three amounts: the certified stumpage value (at time of credit certification) of standing timber in that portion of the forest conservation area that is not harvested, cost to small forestland owner of establishing the stumpage value, and if applicable, one-half of certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area. Requires small forestland owner to receive written certification of eligibility from Department of Forestry prior to claiming credit and establishes process for obtaining certification. Unused credit amounts may be carried forward indefinitely. In instances where credit is revoked or harvest occurs in retention area prior to 50-year limitation expiring, requires repayment of tax credit with interest. Specifies credit applicability to tax years beginning on or after January 1, 2023.

Revenue Impact: See impact explanation.

Impact Explanation:

Qualification for proposed tax credit will depend on voluntary timber harvests in riparian areas by small forestland owners and decisions by such owners to voluntarily enter into 50-year harvest restrictions. As this is a new proposal, it is unknown how many small forestland owners will pursue such an option. Historical small forest owner timber harvest quantity and value information, along with riparian acreage estimates from Washington State, suggest potential annual use of the proposed tax credit of about \$150K per year once credit option becomes well established. Annual credit use is expected to fluctuate (and grow in later years), reflective of general variability in underlying small forest owner timber harvests and value of harvested and non-harvested standing timber. Credit use will also depend on contents and adoption of the Private Forest Accord.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.