



January 2023

Legislative Revenue Office

160 State Capitol Building, Salem, Oregon 97301 | 503.986.1266

Forest Products Harvest Tax

(ORS 321.005 - 321.185)

Overview

The Forest Products Harvest Tax (FPHT) is imposed on the volume of timber harvested from private and public land in Oregon, with the exception of most tribal lands. The tax was created in 1947 and imposed at a rate of 5¢ per 1,000 board feet (MBF). Its purpose was to fund forest research and experimentation. Since inception, the first 25,000 board feet (25 MBF) of harvested timber per owner per year have been exempt. The tax is imposed on: logs that can be measured in board feet and meet the requirements of utility cull or better; logs chipped in the woods unless produced from material not meeting log merchantability standards and used as hog fuel; and loads of logs measured in tons and sold by weight that contain utility grade logs or better.¹ Timber sold by weight must be converted to MBF using conversion factors established by the Department of Revenue (DOR).

For 2022, the total tax rate was \$4.9252 per MBF. The component taxes support the following programs: The Forest Research Laboratory and College of Forestry at Oregon State University (OSU), emergency fire-fighting funds (the Oregon Forest Land Protection Fund), Department of Forestry (ODF) administration of the Forest Practices Act, and funding the operations of the Oregon Forest Resources Institute (OFRI). During the 2022 legislative session, a sixth tax component was created with funds directed to the Conservation and Recreation Fund. This report is an overview of the Forest Products Harvest Tax and is provided pursuant to Oregon Laws 2022, Chapter 31.

Purpose of the Tax

In ORS 321.011, the Legislature has articulated that “[t]he prevention and suppression of forest fires on forestlands for the preservation of forest resources and the continuous growth of timber on lands suitable therefor are declared to be the public policy of the State of Oregon.” The revenue raised with the Forest Products Harvest Tax supports this policy in a few different ways. In recent years the tax has consisted of five components; a sixth component will be imposed for the first time in 2023. Each component funds a different program related to forestry. A brief description of each use is provided here.

¹ [Oregon Administrative Rule 150-321-0020](#)

- **OSU Forest Research Lab** - As specified in 321.015(1), the revenue from this portion of the tax is used by OSU to support forest resource research and experimentation, and the Forest Research Laboratory. More specifically, the funds are used to “...carry on research and experimentation to develop the maximum yield from the forestlands of Oregon, to obtain the fullest utilization of the forest resource, and to study air and water pollution as it relates to the forest products industries.”² This effort includes a Forest Research Laboratory Advisory Committee consisting of 15 members. This committee is intended to “...render practical counsel in the fields of forest management and use and forest harvest and utilization as they relate to the economic and social well-being of the people of Oregon.”³
- **Oregon Forest Land Protection Fund (OFLPF)** - As specified in ORS 321.015(2), the revenue from this portion of the tax is for payment of benefits related to fire suppression, going to the OFLPF. This fund has a reserve base of \$22.5 million and serves as a type of insurance fund to help finance fire suppression costs across the ODF protection districts.
- **Forest Practices Act (FPA)** - As specified in ORS 321.015(3), this portion of the tax is for the purpose of administering the Oregon Forest Practices Act (FPA). The amount is statutorily required to account for no more than 40 percent of total expenditures approved by the Assembly for this purpose. According to the ODF, the FPA “...sets standards for all commercial activities involving the establishment, management, or harvesting of trees on Oregon’s forestlands.” While the Board of Forestry has the responsibility of interpreting the FPA and setting rules, the ODF is responsible for enforcing the subsequent requirements.
- **OSU Professional Forestry Education** - As specified in ORS 321.015(4), the proceeds of this component of the tax supports investments in professional forestry education at the OSU College of Forestry. According to OSU, the mission of the College of Forestry is to “...educate and engage...scholars, practitioners and users of the world’s forest resources, to conduct distinctive problem-solving and fundamental research on the nature and use of forests and related resources, and to share our discoveries and knowledge with others.”
- **Oregon Forest Resource Institute (OFRI)** - As specified in ORS 321.017, this component of the tax is dedicated to funding OFRI. According to their website, their mission is to “...support and enhance Oregon’s forest products industry by advancing public understanding of forests, forest management and forest products.”
- **Oregon Conservation and Recreation Fund (OCRF)** - Newly passed in 2022 (Oregon Laws, Chapter 31), this new portion of the tax is deposited into a subaccount of the OCRF to fund mitigation efforts related to the effects of forest practices on aquatic species. According to the Department of Fish and Wildlife, OCRF is used to support “...projects that protect and enhance the species and habitats identified in the Oregon Conservation Strategy and create new opportunities for wildlife watching, urban conservation, community science, and other wildlife-associated recreation.”

² [ORS 526.215](#)

³ [ORS 526.225](#)

Structure of the Tax

The 2023 tax rates for the six programs described above and the processes for their updates are provided in the following table. These processes vary to some degree across programs. The most standard of these is the method to raise revenue for the Forest Land Protection Fund. The Legislature has established the tax rate in statute without a sunset date. The current tax rate is \$0.625 per MBF, last increased by the 2007 Legislature from \$0.50. With respect to general tax policy, this approach tends to be the most common. That said, the tax rate may change under two other circumstances. First, if a loan is needed to maintain the reserve base, the State

| Forest Product Harvest Tax: 2023 | | |
|---|-----------------|----------------|
| Program | Tax Rate | Process |
| OSU Forest Research Lab | \$0.9000 | 2-yr sunset |
| Oregon Forest Land Protection Fund | \$0.6250 | no sunset |
| Forest Practices Act | \$2.0702 | 2-yr sunset |
| OSU Professional Forestry Education | \$0.2100 | 2-yr sunset |
| Oregon Forest Resources Institute | \$1.1200 | OFRI sets rate |
| Conservation & Recreation Fund | \$1.0461 | DOR sets rate |
| Total | \$5.9713 | |

Forester may increase the tax rate for one year to repay such a loan.⁴ Second, if the reserve fund balance exceeds \$22.5 million, DOR is required to reduce the tax rate by 50 percent for the subsequent calendar year; if the reserve fund balance exceeds \$30 million, DOR is prohibited from collecting the tax during the subsequent calendar year.⁵

The tax rates for three of these programs - the OSU Forest Research Lab, Forest Practices Act, and the OSU Forestry Education - have been historically set in statute for only two years at a time. Each odd-year (or long) session, the Legislature considers whether they should be continued and if changes should be made. With respect to tax policy in general, this approach is less common. While extensions and changes to the taxes have occurred for several biennia, in 2021 stakeholders could not agree on the desired policy during the legislative session. Consequently, the three taxes expired at the end of 2021. Legislation was required and enacted in the February 2022 session to re-establish the taxes effective January 1, 2022.

The tax rate that raises revenue for the Oregon Forest Resources Institute (OFRI) is structured such that Oregon statute contains a maximum tax rate rather than an applicable tax rate. This cap is indexed to inflation. The tax rate applied in a given year is determined by the OFRI board of directors. The rate was last increased in 2020, to \$1.12. The tax rate cap was originally \$0.75 in 1991 and is currently \$1.67.⁶

The newest component of the tax will first take effect in 2023 and is also structured differently. The tax rate is determined by the DOR such that the tax will raise \$2.5 million per year. Then, once an incidental take permit has been issued that is consistent with the Private Forest Accord, the DOR will set the tax rate such that \$5 million per year would be raised. The tax is scheduled to sunset when \$250 million has been collected or if the incidental take permit is revoked, invalidated, or otherwise withdrawn. Also, the tax is repealed on January 2, 2028 unless a habitat conservation plan consistent with the Private Forest Accord has been approved and an incidental take permit related to the habitat conservation plan has been issued.

⁴ [ORS 477.760\(4\)](#)

⁵ [ORS 477.760\(3\)](#)

⁶ A prior version of this report included an estimated cap of \$1.75.

Historical and Current Tax Rates

The table below shows the tax rates from 2002 through the current year's rates for 2023.⁷ The table reflects how certain tax components change more often than others.

| FOREST PRODUCTS HARVEST TAX | | | | | | | |
|-----------------------------|--------------|-----------------------------|----------------------|--------|---------------|---------------------------|----------|
| Year | OSU Research | Forest Land Protection Fund | Forest Practices Act | OFRI | OSU Education | Conservation & Recreation | Total |
| 2002 | \$0.6700 | \$0.500 | \$0.9100 | \$0.79 | - | - | \$2.8700 |
| 2003 | \$0.6700 | \$0.500 | \$0.9100 | \$0.99 | - | - | \$3.0700 |
| 2004 | \$0.6700 | \$0.500 | \$0.7900 | \$0.99 | - | - | \$2.9500 |
| 2005 | \$0.6700 | \$0.500 | \$0.7900 | \$0.89 | - | - | \$2.8500 |
| 2006 | \$0.6700 | \$0.500 | \$0.5500 | \$0.89 | - | - | \$2.6100 |
| 2007 | \$0.6700 | \$0.500 | \$0.5500 | \$0.89 | - | - | \$2.6100 |
| 2008 | \$0.9200 | \$0.625 | \$1.1456 | \$0.89 | - | - | \$3.5806 |
| 2009 | \$0.9200 | \$0.625 | \$1.1456 | \$0.89 | - | - | \$3.5806 |
| 2010 | \$0.9200 | \$0.625 | \$1.1400 | \$0.89 | - | - | \$3.5750 |
| 2011 | \$0.9200 | \$0.625 | \$1.1400 | \$0.89 | - | - | \$3.5750 |
| 2012 | \$0.8739 | \$0.625 | \$1.2952 | \$0.89 | - | - | \$3.6841 |
| 2013 | \$0.8739 | \$0.625 | \$1.2952 | \$0.89 | - | - | \$3.6841 |
| 2014 | \$0.8439 | \$0.625 | \$0.9727 | \$0.99 | - | - | \$3.4316 |
| 2015 | \$0.8439 | \$0.625 | \$0.9727 | \$0.99 | \$0.10 | - | \$3.5316 |
| 2016 | \$0.9000 | \$0.625 | \$1.1037 | \$1.00 | \$0.10 | - | \$3.7287 |
| 2017 | \$0.9000 | \$0.625 | \$1.5661 | \$1.02 | \$0.10 | - | \$4.2111 |
| 2018 | \$0.9000 | \$0.625 | \$1.5700 | \$1.04 | \$0.10 | - | \$4.2350 |
| 2019 | \$0.9000 | \$0.625 | \$1.3720 | \$1.09 | \$0.10 | - | \$4.0870 |
| 2020 | \$0.9000 | \$0.625 | \$1.3872 | \$1.12 | \$0.10 | - | \$4.1322 |
| 2021 | \$0.9000 | \$0.625 | \$1.3872 | \$1.12 | \$0.10 | - | \$4.1322 |
| 2022 | \$0.9000 | \$0.625 | \$2.0702 | \$1.12 | \$0.21 | - | \$4.9252 |
| 2023* | \$0.9000 | \$0.625 | \$2.0702 | \$1.12 | \$0.21 | \$1.0461 | \$5.9713 |

*preliminary

Harvests, Tax Rates, and Collections

Tax collections depend on two factors: the amount of timber harvested and the applicable tax rate. As shown in the table above, the total tax rate has varied over time, driven by changes in the various components of the tax. The following three charts show a history of timber harvest, the total tax rate with components, and then the total tax collected.⁸

Exhibit 1 shows the history of total timber harvests from 1990 through 2021. Over that period annual harvest fell from roughly 6,200 to 3,900 million board feet. Following significant declines in the early 1990s, the annual harvest has varied between 2,748 and 4,451 million board feet, averaging roughly 3,800 million board feet per year.

⁷ The DOR currently considers the 2023 tax rate to be preliminary.

⁸ Data are generally from the Departments of Forestry and Revenue

Exhibit 1. History of Timber Harvests

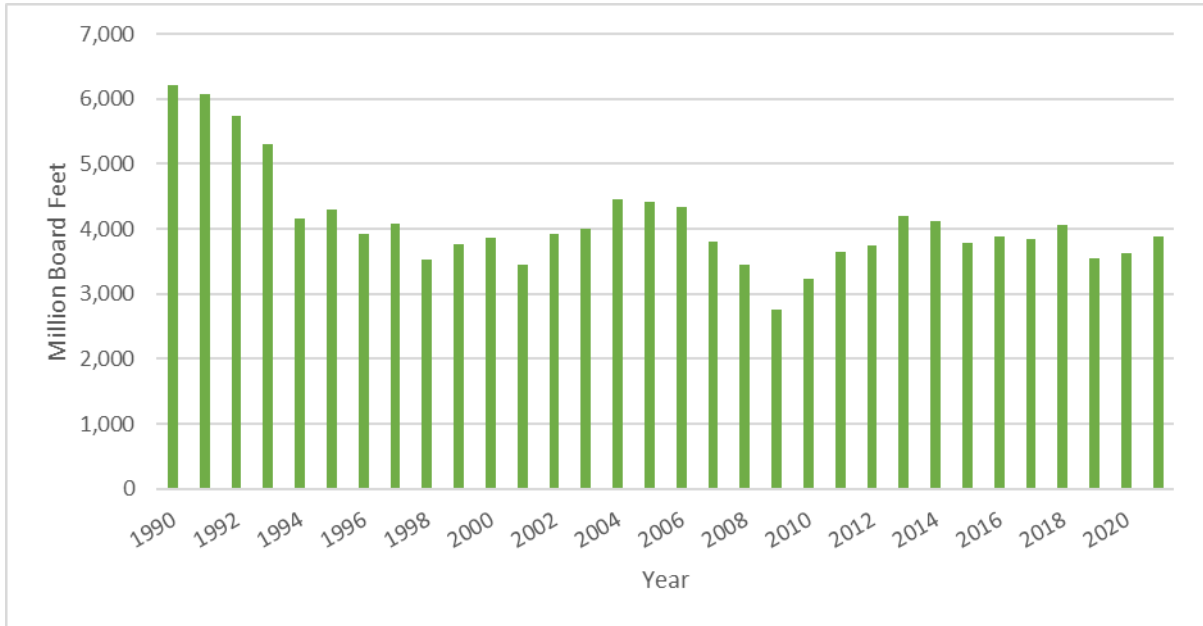


Exhibit 2 shows the history of the total and component tax rates for the past 30 years. (The 1993 Legislature changed the period of assessment from fiscal year to calendar year.) The category ‘Other’ represents three taxes that were in effect at different times. In 1998, a temporary tax was imposed for salmon reclamation; in 2000-01 a temporary tax was imposed to aid nonindustrial landowners; and since 2015 the OSU forestry education tax has been in effect. Some rates, such as those for the Protection Fund and forestry education have not often changed. The tax rates for OSU Research and OFRI have changed with greater frequency. The tax related to the Forest Practices Act (FPA) usually changes each biennium.

Exhibit 2. History of Tax Rate

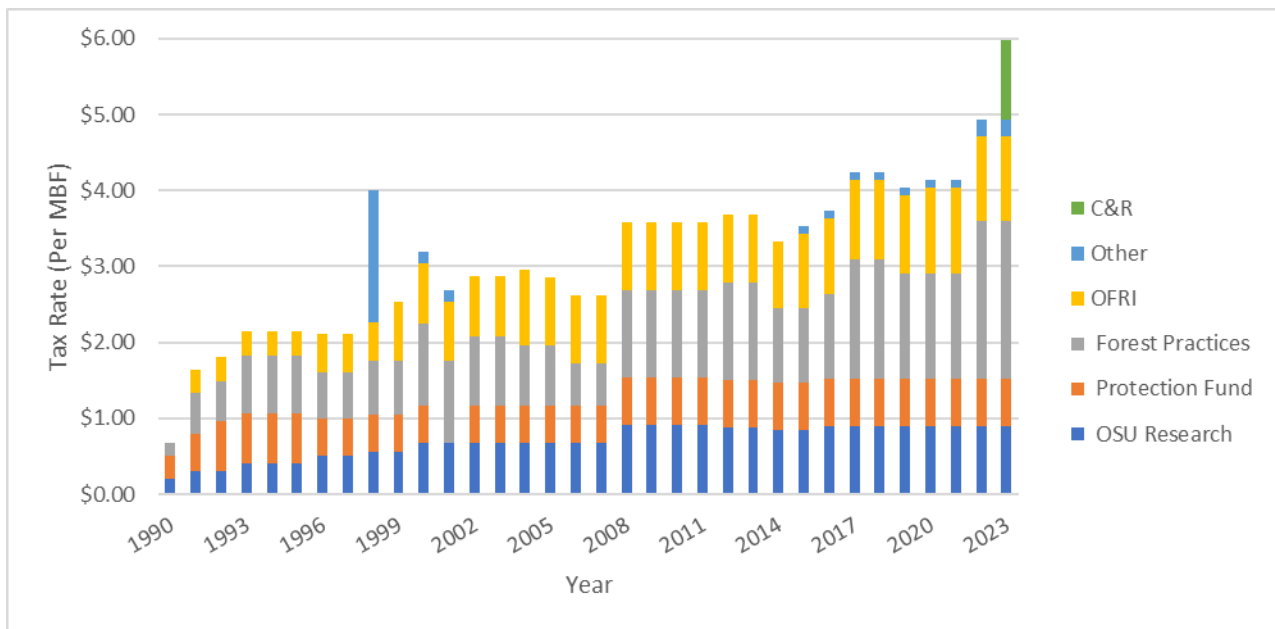
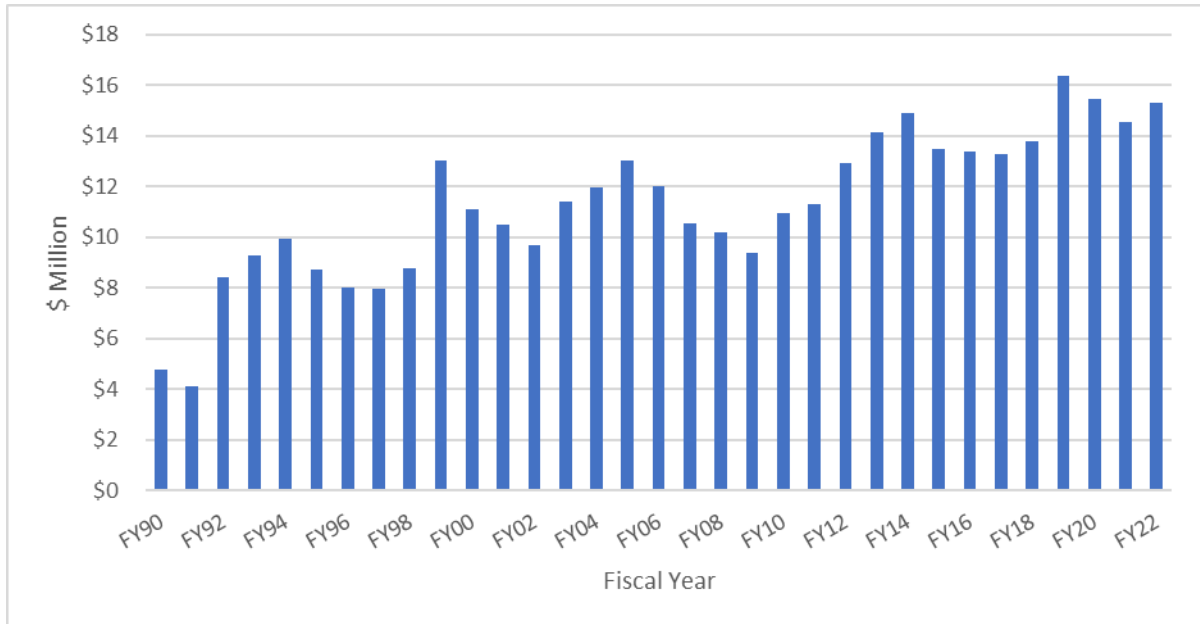


Exhibit 3 shows the history of total tax collections since FY 1990. As noted above the annual changes in collections are driven by changes in the harvest total and changes to the component tax rates. For example, in the early 1990s, the OFRI tax was created while the existing taxes were significantly increased, leading to tax collections increasing from roughly \$4M in FY91 to just over \$8M in FY92. Over the past ten years, collections have been somewhat stable, averaging \$14.5 million per year.

Exhibit 3. History of Tax Collections



Tax Administration

While timber owners are required to file a Notification of Operation with the ODF, the tax return filing and payments are administered by the DOR. Thus, DOR produces the tax forms and processes the payments and returns submitted by taxpayers. Taxpayers who expect to owe more than \$1,500 in a calendar year are required to make quarterly estimated payments for their timber tax liability. A failure to make these payments could result in a penalty based on the interest of the unpaid amount. For timber - logs or chips - measured in tons, the DOR provides a conversion table to translate the volume to MBF so the appropriate tax rate may be applied. The tax is due by January 31st for timber harvested during the prior calendar year.