

Property Taxes: Timber Taxes



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Common Questions

1. What programs are available for forestland owners?

In addition to the existing **Forestland Program**, which is available to all forestland owners, the 2003 Legislature passed Oregon House Bill 2197. This bill created a new **Small Tract Forestland (STF) Program** for small woodland owners who own at least 10, but less than 5,000 acres of forestland. The new STF Program took effect in 2004. To obtain STF Program benefits, eligible owners must apply with their county assessor. The new STF Program allows small woodland owners to continue to pay the majority of their forestland taxes at the time of timber harvest.

2. How do I choose a forestland program?

Talk to your local county assessor's office to determine what tax programs and productivity classes your land is currently classified in and the most advantageous tax program for you. You must apply to your county assessor between January 1 and April 1 to be included in the program for the current tax year.

3. Do I need to sign up for the STF programs?

Effective in 2004, all forestland was put into the Forestland Program. If you want your land included in the STF Program, you must apply to the county assessor.

4. Who needs to sign the STF application?

Everyone with an interest in the property must sign the application.

- Forest Products Harvest Tax
- Forestland Program
- Small Tract Forestland Program
- STF Severance Tax
- Training Materials
- Where to Get Help
- Forms/Publications
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5. Once my property is in the STF Program, can I decide to change back to the Forestland Program at any time?

No, property is only disqualified from the STF Program if the property is sold; ownership is transferred; the property is no longer forestland; your ownership or holding in common ownership is more than 5,000 acres or less than 10 acres; written notice is received from the State Department of Forestry that the property no longer meets the stocking and species requirements applicable to the STF Program; the property is qualified for another special assessment; or the property is recorded as a subdivision plat. If any of these conditions are met, additional taxes shall be determined as provided in ORS 308A.707.

6. What happens if I acquire a tract of Forestland that is in the STF Program?

If you want it to remain in STF, you must apply to the assessor in the county where the property is located within 30 days of the date of the county assessor's letter of intent to disqualify. Failure to make such application will transfer the property into the Forestland Program. You may be subject to rollback taxes not to exceed 10 years of the difference between property tax at 100 percent of the forestland value and property tax at 20 percent of the forestland value.

7. A county line divides contiguous forestland tax lots. May they be placed in different tax programs?

No, they must be placed in the same tax program, either the Forestland Program or the STF Program.

8. Two or more individuals own a parcel of designated forestland. One of them also owns a contiguous parcel of forestland. If the first parcel is put under the STF Program, must the second parcel also be under STF?

Yes, all contiguous forestland parcels owned by any of the individuals must be included in the application for the STF Program.

9. We own two contiguous parcels. One is designated forestland and one is farmland. If we place the forestland in the STF Program, must we do the same with the farmland?

No, forestland and farmland have different tax status. The Forestland Program and STF Program apply to forestland only. If contiguous parcels both contain forestland, both must be in either the Forestland Program or the STF Option.

10. If my property is placed in the STF Program for the tax year (July to June), must I pay severance tax on my harvests from the previous January 1-June 30?

Yes. If your application is received by the April 1 deadline and accepted, you will owe severance tax on all harvests from your property in the entire calendar year. Severance taxes are collected on a calendar year basis.

11. Are logs graded "4-sawmill and better" subject to the severance tax? How about hardwood logs?

Yes, all logs (including hardwood logs) graded "4-sawmill and better" are subject to the severance tax, regardless of species.

12. Are logs chipped in the woods subject to the severance tax?

If the chips come from logs graded "4-sawmill and better," then they are subject to the severance tax. If the chips come from logs below "4-sawmill" grade, then the severance tax does not apply.

13. Company Y purchases standing timber from Joe. Later, Joe puts the property in the STF Program. Company Y then harvests the timber. Is a severance tax owed?

Yes. Company Y (the timber owner) is responsible for paying it.

14. If a property is disqualified after being in the STF Program for less than 10 years, will the additional tax be calculated for the full 10 years?

No, the additional tax would only apply to the length of time the property was in STF, up to a maximum of 10 years.

15. Do severance taxes paid while my property is under the STF Program in any way reduce my additional tax owed when the property is disqualified from STF?

No. The severance and property taxes are calculated separately. Additional taxes are levied only on property taxes.

16. Who is responsible for paying the additional tax after a property has been disqualified from the STF Program because the property was sold and the new owner did not apply to keep the property in the STF Program?

Additional taxes are due in the tax statement in the year following disqualification. At that time, the current property owner is responsible for paying the additional tax.

17. Does a conservation easement "transfer" property ownership, thus affecting forest taxation?

No, a conservation easement (CE) does not transfer ownership. There is **usually** no effect on forest taxation. However, as specified in writing in the CE, **rights** to conduct various activities on the property are transferred. For example, if the CE prohibits the property owner from harvesting timber, then there would be a change in the property's use, and that would remove it from forest use. This would affect the property's forest taxation status.

18. When will I receive my timber tax returns?

Timber tax returns are mailed in mid-December. If you have not received your return by December 30, contact us with the following information:

- Taxpayer name, and
- Phone number (including area code), and
- The tax year you are requesting, and
- Business identification number (BIN), or
- Social Security number, or
- Notification of Operations number (permit), if available.

19. Why did I receive two tax forms?

When you harvest timber in Oregon, you are required to file a Forest Products Harvest Tax (FPHT). In addition, harvests may be subject to the Small Tract Forestland Severance Tax (western or eastern Oregon) if the land on which the harvest occurred is classified as STF by the county assessor. (Landowners must apply to the county assessor and meet certain criteria to have their land classified and taxed under the STF Program.)

20. I received a timber tax return, but I didn't harvest any timber this year? What do I need to do?

On both the Forest Products Harvest Tax and Small Tract Forestland Severance Tax returns, check the "No Harvest" box in the upper right-hand corner of the forms. Sign both returns and mail to the DOR Timber Unit.

21. I cut down some hazardous trees around my house. It cost more than clean up than I was paid. I then received timber tax forms? Do I have to pay tax on the trees?

You must file the return(s) mailed to you. If you had the trees cut into Logs and sold them to a mill, you are required, by law, to file a return. Fill out the return as directed.

If you cut the trees into firewood, then you will not owe a harvest tax. Mark the "No Harvest" box in the upper right-hand corner and write "Cut for Firewood only."

To file your return(s), sign the return(s) and mail to the DOR Timber Unit.

22. I sold my trees to a logger who said he would pay the timber taxes. What do I do with the timber tax returns that I received?

On the return, write the name and address of the person with whom you have a contract showing that they are responsible for filing and paying any timber taxes. Also, include a copy of the written agreement that verifies your statement. Sign and mail your return and a copy of your agreement to the Oregon Department of Revenue, Timber Unit.

23. What is a Forest Products Harvest Tax (FPHT)?

It's a tax on timber cut from any land in Oregon.

24. What is a Small Tract Forestland (STF) Severance tax?

It's a tax on timber harvested from lands classified as STF by the county assessor.

25. What is timber?

Timber is merchantable logs and trees; the uncut forest.

26. Who is the timber owner?

The owner of the timber at the time the logs are first measured. The timber owner and the landowner may be the same person.

The owner may also be an individual or combination of individuals, partnership, firm, corporation, or association of any nature holding title to harvested timber at first measurement. The owner is the party responsible for the timber taxes.

27. What is a business identification number (BIN)?

The BIN is the number assigned by the DOR to every timber taxpayer (individual or business).

28. What is stumpage?

Stumpage is timber in unprocessed form as found in the woods.

29. What is net volume?

Net volume is gross volume minus defect. This measurement is used in tax calculations for STF Severance Tax.

30. What is a Notification of Operations?

Notice of intent to harvest timber given to the Oregon Department of Forestry, which is sent to us. Timber tax forms are mailed to the party indicated as timber owner.

31. What is a legal description?

A description of land that describes where it is located. The legal description of land, or a parcel of land, is the exact location of the parcel of land according to an established system.

32. What is MBF?

Thousand board feet (1,000 bf).

33. What is a board foot?

A unit of measurement representing a board one foot long, one foot wide, and one inch thick.

34. What is utility cull?

Logs that don't meet the minimum requirements of peeler or sawmill grades, but are suitable for the productions of firm, usable pulp chips. Utility cull is included in the definition of adjusted gross volume.

35. Do I need to sign my return?

Yes. Oregon law requires that your timber tax return be signed and contain all information necessary to determine the correct amount of timber tax [(ORS 321.045-2(2)].

36. Who pays the timber tax?

The timber owner.

37. What type of land is in the Forestland Tax Program?

Highest and best use, and designated forestlands.

38. How many acres must I have for the STF Program?

At least 10 acres of forestland, but fewer than 5,000 acres.

39. When are my timber taxes due?

Timber taxes are due by January 31 of the year following harvest.

40. What if I am under the 25 MBF exemption for the Forest Products Harvest Tax?

Complete the return with the volume harvested. Line 10 subtracts the 25 MBF. Sign, date, and mail.

41. What if I cut firewood? Is it taxable?

No, but on the return you should mark the "No Harvest" box. Write under the box "Firewood only."

42. What do I do if I receive a "First Time Harvester" letter and circular?

The letter is only to verify that the name and address are correct and to provide you with your business identification number (BIN) that is used when contacting the DOR Timber Unit. The circular provides information about timber taxes and how to calculate the tax. This does not take the place of timber tax form instructions. You will receive the instructions with the form in mid-December.

43. How do I obtain an "Estimate of Timber Tax Liability" payment coupon?

Owners who expect to owe Forest Products Harvest Tax in excess of \$1,500 for the year are required to file an "Estimate of Timber Tax Liability" form with the DOR Timber Unit and make quarterly estimated payments. The forms and payments are due by April 30, July 31, and October 31. Contact the DOR Timber Unit to get a form.

44. I received a "Request to File" letter. What should I do?

If you don't already have a return, you'll need to contact the DOR Timber Unit and obtain a form for the account number (BIN) listed in the letter.

45. I realized I made an error on my return after I mailed it. What should I do?

You'll need to file an amended return with the DOR Timber Unit. To obtain a return, contact DOR Timber Unit. Check the "Amended Return" box, complete the return as if it were the original, and mail it in.

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