

Harvesting Timber and Timber Taxes



www.oregon.gov/DOR/TIMBER

Important information for first-time timber harvesters

Before harvesting timber, a Notification of Operations (permit) must be obtained from the Oregon Department of Forestry (ODF). These permits are free. The permit contains information related to the harvest, including:

1. The name and address of the **operator**. The operator is the person who performs the harvest, i.e. "the logger."
2. The name and address of the **landowner**.
3. The name and address of the **timber owner**. The timber owner is the owner of the timber at the time logs are first measured. The timber owner and the landowner are usually the same person. Logs are first measured when they are delivered and sold to a mill.

ODF sends permit information to the Oregon Department of Revenue (DOR), which uses the information to determine who and where to send timber tax return(s). For timber tax purposes, the **timber owner** is responsible for filing and paying the timber taxes (ORS 321.005 and ORS 321.550).

Permits are issued for one calendar year (January 1 through December 31). You will need to renew the permit if the operation continues into the following calendar year. There is a \$250 penalty for logging without a permit (ORS 321.550 (3)(a)).

What records do I keep?

You will need to keep all records that relate to the harvest, including:

1. Mill receipts/records that show the volume of timber harvested,
2. Written agreements relative to the ownership and harvest of timber,
3. A map showing the location of the harvest unit,
4. Original records of scaling, measuring and grading of harvested timber, and
5. Any other bills, receipts, invoices or documents used in the preparation of tax returns.

Per Oregon Administrative Rule (OAR) 150-321.609(2)-(D), these records must be maintained for six years from the completion of a harvest or final resolution of an appeal relating to such harvest, whichever is later.

What timber taxes do I need to pay?

All timber harvested in Oregon is subject to the Forest Products Harvest Tax. In addition, harvests may be subject to the Small Tract Forestland (STF) Severance Tax.

What am I taxed on?

Timber taxes are calculated using the volume of timber harvested. Harvested timber is measured in board feet (BF), or weighed in tons. The volume is reported on the return in thousands of board feet (MBF). You will need to round the volume to the nearest MBF. Timber that is sold by weight must be converted from tons to MBF using the conversion factors on the back of the timber tax forms.

Examples:

41,499 BF = 41.499 MBF rounds to = 41 MBF

41,500 BF = 41.500 MBF rounds to = 42 MBF

Forest Products Harvest Tax (ORS 321.005 to 321.185)

The Forest Products Harvest Tax (FPHT) is computed by applying the tax rate to the "taxable volume." The first 25,000 board feet (25 MBF) per taxpayer per year is exempt. To figure the taxable volume, subtract 25 MBF from the total net MBF harvested.

The tax rate is reviewed and set each legislative session. The tax rate for **2007 is \$2.61 per MBF**. It is determined each year and is preprinted on the tax forms.

How to Calculate FPHT: (Example)

Taxpayer harvests 41,400 net board feet. Volume is rounded to 41 MBF.

The tax calculation is:

41	MBF total volume harvested
- 25	MBF exemption
16	MBF taxable volume
× \$2.61	Tax rate per MBF
\$41.76	Total tax due

Taxpayers expecting to owe more than \$1,500 for the FPHT in a calendar year are required to make quarterly "Estimate of Timber Tax Liability" payments, ORS 321.045(4).

The revenue from this tax supports the Forest Research Laboratory at Oregon State University, provides emergency fire fighting funds for lands protected by the State of Oregon, provides funds for the Oregon Department of Forestry to administer the Forest Practices Act on private land, and funds the operation of the Oregon Forest Resources Institute.

Small Tract Forestland Severance Tax (ORS 321.726-321.754)

The STF Severance Tax is paid on timber harvested from lands classified as STF by the county assessor. Landowners must meet certain criteria and must apply to the county assessor to have their land classified and taxed as the STF option.

The severance tax is calculated by applying the tax rate to the total volume of timber harvested. Unlike the FPHT, there is no 25 MBF exemption on the STF Severance Tax.

There are two tax rates, depending on whether the timber was harvested in western or eastern Oregon. The STF Severance Tax rates are indexed annually to reflect the increase or decrease in forestland value. The tax rate is printed on the tax forms.

Harvests occurring in the following 19 counties use the **western rate**: Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill. **The 2007 rate is \$4.23/MBF.**

Harvests occurring in the following 17 counties use the **eastern rate**: Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur,

Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler. **The 2007 rate is \$3.30/MBF.**

There is no requirement for quarterly estimated payments on the STF Severance Tax.

The revenue from this tax is distributed to the State School Fund, Community College Support Fund, and the counties.

How do I obtain forms?

Timber tax forms are mailed from DOR in December of each year. The department identifies potential harvesters and mails the forms based on information provided on the Notification of Operations (permit) and the STF application from the county assessors. There is detailed information printed and used on the form; blank forms are not available.

If you harvested timber and do not receive forms by December 31, contact DOR, Timber Tax Unit at the numbers listed below.

If you obtained a permit, you will be mailed forms and are required to file even if you did not harvest and do not owe tax.

When are the timber taxes due?

Timber taxes are due by January 31 of the year following harvest. The tax on harvests occurring during the calendar year 2007 are due by January 31, 2008.

If you are unable to file a return by the due date, you may request an extension of time to file. The request must be in writing and postmarked no later than the due date of the return. The department may grant up to 30 days from the due date. **This does not extend the time to pay.** Failure to file and pay the tax timely will result in penalty and interest charges.

Where can I obtain assistance?

If you have additional questions or need assistance regarding your timber tax returns, contact DOR. You may e-mail questions to timber.tax.help@state.or.us.

Taxpayer assistance

General tax information www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from Oregon prefix..... 1-800-356-4222

Asistencia en español:
 Salem503-945-8618
 Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem503-945-8617
 Toll-free from Oregon prefix..... 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

How to calculate STF Severance Tax: (Example)

Taxpayer harvested 41,400 net board feet from STF land in **Douglas County**.
 41,400 net board feet divided by 1,000=41 MBF (rounded)

41	MBF total volume harvested
× \$4.23	Tax rate per MBF
\$173.45	Total tax due

Taxpayer harvested 41,400 net board feet from STF land in **Wheeler County**.
 41,400 net board feet divided by 1,000=41 MBF (rounded)

41	MBF total volume harvested
× \$3.30	Tax rate per MBF
\$135.30	Total tax due