



State of Alabama Department of Revenue

(www.revenue.alabama.gov)
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May 5, 2011

NOTICE

FOREST PRODUCTS PRODUCERS AND MANUFACTURERS

The Department of Revenue, would like to remind all forest products producers and manufacturers of the requirements for the Forest Products Severance Tax and Privilege Tax laws as set forth in Title 9, Chapter 13, Article 4, Sections 80-108, Code of Alabama 1975. The following is a summation of the requirements:

1. There is hereby levied and shall be collected a privilege tax upon every person engaging in the state in the business of severing timber or any other forest products from the soil for sale, profit or commercial use whether as owner, lessee, concessionaire or contractor. The main parties responsible for remitting the forest product severance tax are:

- A. Every manufacturer/processor of forest products that are severed from the soil within Alabama. (A manufacturer/processor, as applied to forest products suitable for manufacture into lumber, the person who operates the sawmill or plant in which such products are so manufactured into lumber; as applied to pulpwood, chemical wood and bolts, the person who operates the paper mill, chemical plant or other plant in which such forest products are processed; as applied to crossties, switch ties, mine ties, props, poles and piles, the person who purchases from the producer; as applied to turpentine, the person who processes or cooks the crude gum; as applied to stumpwood, the person who operates the plant or retort in which such product is processed.)
- Sawmills converting slabs and edgings into chips are subject to the severance tax. The Alabama processor or manufacturer who purchases the pulpwood chips for manufacturing of forest products is responsible for remitting the severance tax.
 - Chip mills who export pulpwood chips from Alabama or sell chips to be used as a fuel are liable for the severance tax.
- B. The producer or person who assembles or causes to be assembled any forest product in an unmanufactured condition for shipment outside of Alabama is liable for the severance tax.

2. There is also levied a privilege tax against the processor of the forest products or the manufacturer using the forest products in an amount equal to 50 percent of the tax on the severer.

- A. The additional privilege tax shall be paid by the processor or manufacturer using the forest products to make a finished wood product.
- All forest processors or manufacturers should withhold the severance tax on all logs and pulpwood chips purchased.
 - Person or persons converting pulpwood into chips are not considered the processor or manufacturer of the forest product.
 - Sawmills, paper mills, etc, who make a finished wood product are considered processors/manufacturers of the forest products.
- B. An out-of-state processor or manufacturer is responsible for the privilege tax if the processor or manufacturer obtains the timber from within Alabama and ships the timber out-of-state for the completion of the manufacturing process.

Note: Persons completing the supplemental return are required to report the correct county where the product was severed so that monies may be properly distributed.

Questions concerning this notice should be directed to:

Severance & License Tax Section • Sales, Use & Business Tax Division
P. O. Box 327560 • Montgomery, Alabama 36132-7560 • (334) 353-7827