

**810-8-5-.06**                      **Clarification of the Application of the Forest Products Severance Tax and the Forest Products Manufacturers Tax on Certain Forest Products**

(1)            **PURPOSE:** To clarify who is liable for the forest products taxes on certain forest products and to provide guidance on the application of the taxes.

(2)            **DEFINITIONS:** Definitions related to terms used in this rule may be found in § 9-13-80, Code of Ala. 1975.

(3)            **TAX RATES:** Tax rates for specific forest products may be found in § 9-13-82, Code of Ala. 1975.

(4)            **FOREST PRODUCTS SEVERANCE TAX** is levied on forest products severed from the soil within Alabama.

a.            **WHO IS LIABLE FOR THE TAX:**

- i.            Manufacturers, concentration yards or processors receiving pulpwood.
- ii.           Manufacturers and concentration yards receiving in-woods pulpwood chips.
- iii.           Manufacturers receiving pulpwood chips or residual pulpwood chips.

b.            **EXEMPTION CERTIFICATES:**

i.            Manufacturers who purchase pulpwood, logs, or portions thereof and convert them into chips and wish to be exempt from the Forest Products Severance Tax on pulpwood chips or residual pulpwood chips purchased from a manufacturer, concentration yard, or processor must first obtain an exemption registration certificate from the seller stating that the seller is registered with the Department to remit the Forest Products Severance Tax.

ii.           Manufacturers who fail to obtain a valid exemption registration certificate will be held liable for the Forest Products Severance Tax on pulpwood chips or residual pulpwood chips received.

c.            **EXEMPT USAGE:** Since the Forest Products Severance Tax is on pulpwood logs and the whole logs that are utilized in the manufacturing process to produce lumber, the Forest Products Severance Tax does not apply to pulpwood chips produced from pulpwood or slabs from lumber converted into residual pulpwood chips.

(5)            **FOREST PRODUCTS MANUFACTURERS TAX** is levied on manufacturers using forest products in the manufacturing process in an amount equal to

50 percent of the Forest Products Severance Tax rate and is levied only on manufacturers located within Alabama.

a. **WHO IS LIABLE FOR THE TAX:**

i. Manufacturers located in Alabama utilizing the pulpwood, pulpwood chips, in-woods pulpwood chips or residual pulpwood chips in the manufacturing process to make a finished product (i.e., paper).

b. **APPLICATION OF THE TAX:**

i. The manufacturer who produces residual pulpwood chips from logs utilized in the manufacturing process under § 9-13-82(c), Code of Ala. 1975, may deduct from the Forest Products Manufacturers Tax the portion (tonnage) of the logs that are converted into residual pulpwood chips.

ii. A sawmill that utilizes logs in the manufacturing process to produce lumber must remit the Forest Products Severance Tax on the total weight of the logs that are delivered to sawmills.

iii. A sawmill that converts the slabs that are produced as a byproduct of lumber manufactured into residual pulpwood chips shall remit the Forest Products Manufacturers Tax based on the net tonnage of the logs delivered to the sawmill multiplied by 50 percent of the Forest Products Severance Tax rate.

c. **CALCULATING NET TONNAGE:** Compute the total weight of the logs received during the quarter then subtract the total weight of the residual pulpwood chips remaining after slabs are generated from the logs. The net tonnage should then be shown on the Forest Products Manufacturers Tax return based on each county of severance.

d. **EXAMPLE:** A manufacturer receives 100 tons of logs during the quarter and converts the logs into lumber. After the production of the lumber, there are 10 tons of slabs remaining which are converted into 10 tons of residual pulpwood chips. The Forest Products Severance Tax of \$0.10 per ton is on the 100 tons received. The Forest Products Manufacturers Tax is then remitted on 90 tons (100 tons received – 10 tons of residual chips) at 50 percent of the Forest Products Severance Tax rate (\$0.05/ton) and reported based upon the county of severance.

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Authority: §§ 40-2A-7(a)(5) and Title 9, Chapter 13, Code of Ala. 1975.  
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