

Understanding Washington's Timber Excise Tax

RCW 84.33 and WAC 458-40

AUGUST 2010

Timber Excise Tax

In 1971, the Washington State Legislature replaced property tax on timber with an excise tax based on the stumpage or standing value of trees. This tax is due when the timber is harvested.

Who pays the Timber Tax?

Timber excise tax is paid quarterly by the timber owner also referred to as the timber harvester.

- Timber is considered harvested at the time the timber volume is first determined, usually by scaling or weighing.
- A person hired under contract for labor or mechanical services (i.e. logger) is not liable for timber tax.
- Timber tax applies to timber harvested from any private or public lands within the State of Washington.
- When timber is harvested from public lands, the harvester is the first person (other than a public entity) to acquire title or possessory interest in the timber.



Distribution of Timber Tax

The five percent timber excise tax collected by the Department of Revenue is composed of a four percent county tax and a one percent state tax.

- The county portion is distributed back to the county where the timber was harvested. It helps fund capital projects, voter-approved bonds, school maintenance and operations, county roads, libraries and fire districts.
- The state's portion goes to the state general fund.

How to register for Timber Tax

Call the Department of Revenue's Forest Tax Section at 1-800-548-8829.

Due Dates

Quarter of Harvest	Tax Due
1st Quarter (Jan 1 – March 31)	April 30
2nd Quarter (April 1 – June 30)	July 31
3rd Quarter (July 1 – Sept. 30)	October 31
4th Quarter (Oct. 1 – Dec. 31)	January 31

When to use the Standard Harvester Return

Anyone who harvests more than two million board feet of timber in a calendar year must use the Department's Standard Harvester return.

- Standard harvesters calculate their taxable stumpage value by using the Department Stumpage Value Tables.
- The tables and timber tax reporting instructions are available online at www.foresttax.dor.wa.gov.

When to use the Small Harvester Return

Anyone who harvests less than two million board feet of timber in a calendar year is a small harvester and has the option of filing their timber tax using either:

- The Standard Harvester Return or
- The Small Harvester Return, where the taxable stumpage value is either:
 - The gross mill price minus allowable documented harvesting and marketing costs or if actual harvesting and marketing costs are unknown use the Department allowance of 35 percent of gross mill price.

How to report Standing Timber sales

Small harvesters who purchase timber that has not been cut from the stump.

- If timber is harvested within 30 months of purchase use the Small Harvester return to determine their taxable stumpage value by using the total purchase price, plus other considerations such as permanent roads, reforestation, etc.
- If the timber is harvested after 30 months the harvester must use either the standard return or the small harvester return.

For those who harvest over two million board feet in a calendar year use the Department Stumpage Value Tables to determine the taxable stumpage value.

How to report purchases of Public Timber

For timber harvested on public land, the taxable stumpage value is determined as follows:

For Competitive or Bid Sales:

The taxable stumpage value is the actual amount paid for the timber in cash and other consideration entered on the Department's Public Harvester Return.

- Other consideration includes anything of value given in lieu of cash – such as permanent roads constructed as part of the timber sale contract.
- For "Log sort sales" the taxable stumpage value is the price paid for the logs minus the harvesting and marketing costs provided by the selling agency.
- If the selling public agency does not supply actual costs to the purchaser, use the 35 percent Department allowance.

For Non-Competitive Sales:

Use the Department's Stumpage Value Table to determine the taxable stumpage value or if reporting as a qualified small harvester use the gross mill receipts minus harvesting and marketing costs to determine taxable stumpage value.

Public Timber is Export Restricted

Public timber in unprocessed form is export restricted. Four forms need to be submitted to the Department of Revenue Forest Tax Section by the purchaser:

File the following Forms

- Purchaser Certification: Due at the time of purchase
- Operations Plan: Due before commencing the harvest
- Transferee Certification: Due prior to logs being transported
- Disposition Certification: Due after the harvest is completed

Log Export Forms are available on line at www.foresttax.dor.wa.gov

Are Christmas Trees subject to Timber Tax?

Christmas trees grown by intensive cultivation (tilling of the soil and control of the brush and weeds) on land classified as agricultural land under the open space tax law are not subject to Timber excise tax.

Christmas trees grown under "wild" conditions, on designated forest land are subject to Timber tax when harvested.

Are Short Rotation Hardwoods subject to Timber Tax?

No, the harvesting of short rotation hardwoods, such as hybrid cottonwoods or poplars are not subject to timber tax when grown using agricultural methods and are less than 15 years old.

Tax Credit Available

A tax credit (Enhanced Aquatic Resources Requirements (EARR credit) equivalent to 0.8 percent of the taxable stumpage value is available if approved by DNR Forest Practices.

Business and Occupation Tax (B&O)

Timber harvesting is considered a business activity and is subject to B&O.

Standard and public timber harvesters need to file their B&O tax electronically and complete the annual tax survey by March 31 in order to receive a lower rate.

Small harvesters are not required to file their B&O tax electronically or complete the annual tax survey to use the lower rate. Small harvesters are also eligible for up to a \$100,000 deduction and a Small Business credit.

Go to www.dor.wa.gov for more information.

Taxpayer Assistance

Contact Forest Tax at 1-800-548-8829 or visit our website www.foresttax.dor.wa.gov