

Instructions For Preparing Virginia Forest Products Tax Return

Effective for periods beginning on and after July 1, 2015

The purpose of the forest products tax is to provide for the conservation of the natural resources of Virginia by the protection and development of forest resources and reforestation of forest lands.

- 1. What is a Forest Product?** The term “forest product” means wood, derived from trees severed in Virginia for commercial purposes, of any type or form, including, but not limited to logs, timber, pulpwood, excelsior wood, chemical wood, woodchips, biomass chips, fuel chips, mulch, bolts, billets, crossies, switch ties, poles, piles, fuel wood, posts, all cooperage products, tanbark, mine ties, mine props and all other types of forest products used in mines.
- 2. Who is Liable for the Forest Products Tax?** Unless the tax has previously been paid by a severer, the tax is paid by the first manufacturer processing forest products into various sizes and forms or into other products: using or consuming forest products; or storing forest products for sale out of state from a fixed place of business. A severer that sells or delivers forest products to any person that is not a manufacturer registered for the forest products tax shall be liable for the tax. In addition, the tax applies to the severance of timber and other forest products from Virginia soil, including land owned by the Commonwealth of Virginia or by the United States within the geographical confines of Virginia, where the forest products severed enter commercial channels of trade for competitive markets. The tax does not apply to forest products severed from soil outside Virginia. The tax shall be paid only once on any forest product.

“Manufacturer” means any person that for commercial purposes at a fixed place of business (i) processes forest products into various sizes and forms, including chips; (ii) processes forest products into other products; (iii) uses or consumes forest products; or (iv) stores forest products for sale or shipment out of the state.

“Shipper” means any person or entity in Virginia that sells or ships outside the Commonwealth by railroad, truck, barge, boat or any other means of transportation any forest product in an unmanufactured condition, whether as owner, lessee, woodyard operator, agent or contractor.

“Severer” means any person in the Commonwealth that fells, cuts or otherwise separates timber or any other such forest product from the soil.

“Fixed place of business” means a mill, plant, yard, or other location at which occurs a regular and continuous course of dealing. The use of portable machinery or equipment alone at the place of severance of forest products does not constitute a fixed place of business.

- 3. Return Due Dates:** A forest products return (Form 1034) is due within 30 days after the close of each quarter, even if no forest products have been handled during the quarter.

The quarter ending dates and return due dates are:

<u>Quarter Ending</u>	<u>Return Due On or Before</u>
March 31	April 30
June 30	July 30
September 30	October 30
December 31	January 30

Assistance

For assistance, call **(804) 786-2450** or write to: **Department of Taxation
P.O. Box 715
Richmond, VA 23218-0715**

Forms and instructions are available for download from our web site, www.tax.virginia.gov, or by calling **(804)367-8037**

See Section 9 for information concerning the optional filing requirements for small manufacturers and certain small severers. Va. Dept. of Taxation 1034 Inst. 6201134 Rev. 8/05

- 4. Computation of Tax:** The tax is computed based on length or volume measurements of the forest product. Effective July 1, 1998, the tax may be computed based upon the weight of the forest products at the election of the taxpayer. The individual rates for each forest product are listed on the tax return.
- 5. Payment:** Full payment of the amount due must accompany the return. Checks and money orders should be made payable to the Department of Taxation.
- 6. Penalty and Interest:** A penalty is imposed for late payments. The penalty is 5 % of the amount of tax due. If the payment is made six months or more after the due date, interest will be assessed upon the entire amount due in accordance with the *Va. Code* § 58.1-15.
- 7. Distribution of Tax by Locality:** At least 50 % of the tax collected within any county or city must be expended for reforestation and for the protection and development of forest resources in such county or city. Accordingly, separate accounting is necessary for each item of forest products listed on the quarterly or annual return. In addition, it is also important for filers to complete the “Distribution of Tax by Counties” schedule listed on page 2 of Form 1034.
- 8. Exemptions from the Tax:** The tax does not apply to an individual owner of timber who occasionally severs or cuts the same from his own premises to be utilized by him in the construction or repair of his own structures, buildings, or improvements; for his home consumption; or use by him in the processing of his own farm products. The tax also does not apply to forest products severed from land owned by the Commonwealth and used by state educational institutions for experimentation in a teaching of forestry, where the severance is necessary or incidental to such experimentation and teaching.
- 9. Small Manufacturers and Certain Small Severers:** Certain manufacturers and severers may elect to use Form 1035 and pay an annual tax rate on or before January 30. In such instances, the taxpayer must notify the Department of Taxation of the annual election.

“Small Manufacturer” means any manufacturer of rough lumber who during the calendar year manufactures 500,000 or less board feet. The annual flat tax rates for small manufacturers are determined as follows:

<u>Amount Manufactured</u>	<u>Annual Flat Tax</u>
300,000 board feet or less	\$ 230
Between 300,000 board feet and 500,000 board feet	\$ 460

“Small Severer” means any person who severs for sale 100 or less cords of fuel wood, or 500 or less posts or fish net poles during any one calendar year. Small severers may elect to compute their tax annually in accordance with the tax rates listed on Form 1035.