

Transmittal Sheet For Notice Of Intended Action

Control: 810

Department or Agency: Revenue

Rule Nos: 810-8-5-.06

Rule Title: Clarification of the Application of the Forest Products Severance Tax and the Forest Products Manufacturers Tax on Certain Forest Products.

New; Amended; Repealed; Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? No

Is the increase in cost, if any, more harmful to the public than the harm that result from the absence of the proposed rule? N/A

Are all the facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

Does the proposed rule relate to or effect any matter of litigation which the agency is a party to concerning the subject matter of the proposed rule? No

Does the proposed rule have any economic impact? No

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975 and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Services Agency.



Signature of certifying officer _____

Date 05/21/2018

APA-6
10/96

**ECONOMIC IMPACT STATEMENT
FOR APA RULE
(Section 41-22-23(f))**

Control No. 810 Department or Agency REVENUE

Rule No: 810-8-5-.06.

Rule Title: Clarification of the Application of the Forest Products Severance Tax and the Forest Products Manufacturers Tax on Certain Forest Products

X New Amend Repeal Adopt by Reference

- NO
 YES

This rule has no economic impact.

This rule has an economic impact, as explained below:

1. NEED/EXPECTED BENEFIT OF RULE:
2. COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE, EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES AND ACHIEVING THE STATED PURPOSE:
3. EFFECT OF THIS RULE ON COMPETITION:
4. EFFECT OF THIS RULE ON COST OF LIVING AND DOING BUSINESS IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:
5. EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL AREA HERE THE RULE IS TO BE IMPLEMENTED:
6. SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND ENFORCING THIS RULE:
7. THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL BEAR THE COSTS AND THOSE WHO WILL BENEFIT FROM THE RULE:
8. UNCERTAINTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE BENEFITS AND BURDEN COMPARISON:
9. THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC HEALTH:

10. DETRIMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH
IF THE RULE IS NOT IMPLEMENTED:

11. OTHER COMMENTS:

ALABAMA DEPARTMENT OF REVENUE
Business License Tax

NOTICE OF INTENDED ACTION

RULE NO. & TITLE

810-7-2	Tobacco Tax Forms
810-8-3	Motor Fuels Forms
810-8-4-.01	Verification of Fuel Identification Marker Application

INTENDED ACTION

Repeal

**SUBSTANCE OF
PROPOSED ACTION:**

The department proposes to repeal the above mentioned rules because during reviewal of the rule required by the Red Tape Reduction Act they were determined to no longer be needed.

RULE NO. & TITLE

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

New

**SUBSTANCE OF
PROPOSED ACTION:**

The department proposes to adopt a new rule that clarifies the application of Forest Products Severance tax and Forest Products Manufacturers tax on certain forest products.

TIME, PLACE, MANNER OF PRESENTING VIEWS: A public hearing will be held at **01:30 PM on Tuesday, July 10, 2018, Room 1203, First Floor**, Gordon Persons Building, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at <http://www.revenue.alabama.gov/tax-policy/>.


All interested parties may present their views in writing to the **Secretary of the Alabama Department of Revenue, Room 4131, Gordon Persons Building, 50 N Ripley Street, Montgomery, Alabama 36132** at any time following publication of the notice up until the conclusion of the hearing. Interested parties may also appear at the hearing to present their views.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

Tuesday, July 10, 2018

CONTACT PERSON AT AGENCY:

Meagan Barrett
Alabama Department of Revenue
4131 Gordon Persons Building
Montgomery, Alabama 36132
(334) 242-1380


Michael D. Gamble, Secretary
Alabama Department of Revenue

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.

Author: Felicia G. Thomas.
Authority: §§ 40-2A-7(a)(5) and Title 9, Chapter 13, Code of Ala. 1975.
History: New Rule Filed: May 22, 2018; Effective