This publication answers some common questions regarding West Virginia severance tax laws pertaining to the timber industry. This publication provides general information. It is not a substitute for tax laws or regulations.

**WHAT IS THE TIMBER SEVERANCE TAX?**

- Severance tax is imposed on the activity of severing, extracting, reducing to possession and producing for sales, profit, or commercial use, any natural resource product, including timber.
- The amount of severance tax due is determined by application of various rates to the "gross value" of a natural resource.
- The severance tax on timber was temporarily suspended on January 1, 2010. However, effective July 1, 2016, the severance tax on timber was reinstated.
- The severance tax on timber is scheduled to terminate on July 1, 2019. Termination of the timber severance tax will not relieve any person of liability for any timber severance taxes imposed for any period before July 1, 2019.

**WHAT IS THE SEVERANCE TAX RATE ON TIMBER?**

- The rate is 1.5% of the gross value of the timber produced.

**WHO IS LIABLE FOR THE TIMBER SEVERANCE TAX?**

- The person who has title to or an economic interest in the natural resource is liable for paying the severance tax.
- When timber is severed by one person for another who has title to the timber, the person who has title or an "economic interest" in the timber is the person liable for paying the severance tax.
- The determination of who has title or an "economic interest" in the timber is made after examination of such factors as depletion, royalties, control over sales, etc.

**WHAT IS A TIMBER SEVERANCE ACTIVITY?**

- A severance activity is the physical severing or cutting and delimbing of a tree in this State.

**WHAT IS THE TAX BASE FOR THE SEVERANCE TAX ON TIMBER?**

- Severance tax is imposed on the "gross value" of the timber at the point where production ends. Timber production ends when the tree has been severed and delimbed. When a sale occurs at this point, the "gross value" subject to the severance tax is the gross proceeds for the sale.
- State and federal taxes, royalties, sales commissions, or any other expense may not be deducted in determining the "gross value" subject to severance tax.

**WHAT IS THE "GROSS VALUE" OF TIMBER SUBJECT TO SEVERANCE TAX WHEN SALE IS NOT AT POINT OF DELIMBING?**

- If there is no sale at the point where the timber is severed and delimbed, the "gross value" subject to severance tax is determined using the most accurate and reliable information available and should correspond as nearly as possible to the gross proceeds from the sale of similar products of like quality or character. Some factors that are considered in determining this value are given below:
  - Character and quality of the timber as determined by species, size, age, condition, etc.;
  - The quantity of timber per acre, total quantity under consideration, and the location of the timber in question with reference to other timber;
  - Accessibility of the timber (location with reference to distance from common carrier, the topography and other features of the ground upon which the timber stands and over which it must be transported in the process of exploitation), the probable cost of exploitation and the climate and state of industrial development of the locality; and
  - The freight rates charged by common carriers to important markets.
- If there are no sales of similar products as a guide to value, the "gross value" may be determined by a cost basis. In such cases, every item of cost attributable to the production of the timber must be included.
including direct and indirect overhead costs. The average mark-up realized by the Taxpayer must be
to the total production cost.

- The timber in each particular case will be valued on its own merits. The Taxpayer bears the burden of
keeping records to support the "gross value" of the timber at the point of severing and delimbing that
was used for severance tax purposes.

WHAT IS THE ALTERNATE METHOD OF DETERMINING "GROSS VALUE"?

- The following rules may be used at the Taxpayer’s election or in the absence of books and records to
substantiate the fair market value of the timber. To apply these rules, the timber producer must
determine which rule is similar to his or her situation and apply the appropriate percentages to the gross
proceeds of sale to determine the amount of gross proceeds subject to the severance tax.

  ➢ A person who produces timber and sells logs, and by-products of timber production and bucking
    operations, on the ground, either where the trees were felled in the forest or at a central collection
    point, must report seventy-five percent (75%) of the gross proceeds of sale.

  ➢ A person who produces timber and sells and delivers the timber products, in the same condition
    as when those products leave the forest, to a sawmill, other manufacturer or consumer, must
    report fifty percent (50%) of the gross proceeds of sale.

  ➢ A person who produces timber and further saws, mills or otherwise manufactures the timber into
    lumber, cross ties, timbers, veneers and other products for sale, profit or commercial use, must
    report twenty-five (25%) of the gross proceeds of sale. Where no sale is made, the fair market
    value of lumber, cross ties, timbers, veneer or other products must be determined and twenty-
    five (25%) of that amount must be reported for severance tax.

HOW DO I FILE FOR TIMBER SEVERANCE TAX?

- With one exception for the month of May, for those Taxpayers whose estimated tax liability exceeds
  $1,000 per month, estimated severance tax returns (Form WV/SEV-400T) must be filed monthly on or
  before the last day of the month for the previous month’s activity. The estimated return for May’s activity
  is due June 15th.

- For Taxpayers whose estimated tax liability is $1,000 per month or less, estimated returns are due in
  quarterly installments on or before the last day of the fourth, seventh and tenth months of the taxable
  year.

  In addition to the quarterly estimated returns, an annual severance tax return (Form WV/SEV-401T)
  must be filed on or before the last day of the first month after the end of your taxable year.

- The $500 annual credit allowed to timber producers can only be deducted on the annual return and not
  on periodic installment payments.

WHAT ARE THE REQUIREMENTS FOR NONRESIDENT OWNERS OR PURCHASERS OF TIMBER TO BE SEVERED?

- Nonresident timber operators must obtain a West Virginia Business Registration Certificate from the
  Tax Department, obtain a timbering license from the Division of Forestry, and give the Tax
  Commissioner written notice of their intent to sever timber between 30-90 days before the timbering
  operation begins.

- An amount equal to 4% of the estimated “gross value” of the timber to be severed must be prepaid. In
  lieu of a cash payment, the nonresident owner or purchaser may furnish a corporate surety bond for
  that amount.

- For more information regarding the timber severance tax requirements of nonresidents, see Publication
  TSD-404.

REQUIREMENT TO OBTAIN BUSINESS REGISTRATION CERTIFICATE OR 1099

- Every purchaser of standing timber, logs or wood products in conjunction with a timbering operation,
  whether a nonresident or not, must obtain from the seller a copy of their current Business Registration
  Certificate or a federal Form 1099 for the year of purchase. If the seller is not required to have a Business
  Registration Certificate, the seller must give the purchaser an affidavit stating that fact. The affidavit
  must also contain the seller’s social security number and current mailing address.
• For assistance or additional information, you may call a Taxpayer Service Representative at:
  1-800-WVA-TAXS
  (1-800-982-8297)
  Or visit our website at:
  www.tax.wv.gov
  File and pay taxes online at:
  https://mytaxes.wvtax.gov