

# GUIDE TO THE CALIFORNIA TIMBER YIELD TAX

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## *Preface*

This publication is intended as a guide to the [California Timber Yield Tax Law](#) and your responsibilities as a timber owner. The timber yield tax is a property tax with a current rate of 2.9 percent. Timber owners must report and pay the tax when they harvest their trees, or “timber.” The Timber Yield Tax Law is administered by the State Board of Equalization (BOE). The tax revenue, less administrative costs, is returned to the county where the trees were harvested.

We welcome your suggestions for improving this publication.

Please write to:

Timber Tax Section, MIC:60  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0060

You may also comment by completing our survey found at [www.boe.ca.gov/info/survey/htm](http://www.boe.ca.gov/info/survey/htm).

- We have used this arrow to mark sections of the publication that address the timber yield tax requirements most often misunderstood by taxpayers. Please take the time to read these marked sections carefully.

*Please note:* This publication summarizes the law and application regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict the text in this publication and the law, the decision will be based on the law and not on this publication.

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# Timber Yield Tax Basics

*This chapter contains basic information on the timber yield tax, including which harvests and products are taxable, who has the responsibility for paying the tax, how and when the tax applies, and information on the registration process.*

## General application of tax

The timber yield tax applies to the harvest of forest trees, whether standing or down, for wood products. As a timber owner, you generally owe the timber yield tax when your trees are harvested:

- Regardless of the number of trees removed.
- Whether you sell, give away, trade, or use the trees yourself.
- Whether you have received any money for the trees.
- Whether the trees were diseased, dead, dying, or down.
- Whether the trees were harvested on public or private land (except for Indian tribal lands).
- Whether the land is designated as a Timberland Production Zone or zoned for some other use.

*Please note:* You owe the tax even though you may have filed an exemption form with the California Department of Forestry and Fire Protection ([Cal Fire](#)). Such “exemptions” refer only to state timber harvest regulations and do not affect your tax liability.

## Exceptions

You do *not* owe the timber yield tax if:

- The trees are left lying on the ground, unused.
- You transfer ownership of the timber to a logger or to another person *before* the trees were cut and are, therefore, not the property of the timber owner. For this to apply, you must have a written contract that specifically transfers ownership of the trees to the other party before they are cut down. *Please note:* Most harvest contracts for felling and marketing timber *do not* transfer ownership of the timber before harvest.
- You remove trees from Indian tribal lands.
- You are a tax-exempt organization that does not pay property taxes on the land where the trees are growing.
- Your timber harvest has an immediate harvest value of \$3,000 or less within a quarter. See the definition of *immediate harvest value*.

### ► You pay tax based on BOE-established timber values.

The timber yield tax you pay is based on values established by the state for various timber products, as determined by analysis of market transactions in your area. *You do not pay tax based on the amount you receive for your trees or wood products.* The BOE issues schedules of timber harvest values twice each year.

## Taxable wood products

Taxable wood products include:

- Softwood logs from trees such as cedar, fir, hemlock, pine, redwood, and spruce.
- Other, miscellaneous wood products such as fuel (fire) wood, chipwood, poles and pilings, posts, split products (shingles and shakes), and Christmas trees.
- Hardwood logs from trees such as alder, chinquapin, cottonwood, eucalyptus, madrone, maple, oak, tanoak, and willow.
- Cull logs (logs with less than one-quarter sound, usable wood).

Other products from forest trees, such as branches, burls, cones, and seeds, are not subject to the tax.

In addition, the timber yield tax does not apply to the following:

- Orchard trees (fruits and nuts)
- Nursery stock
- Live Christmas trees sold in containers

► **Timber owner must pay the tax.**

As a timber owner, you have the responsibility for filing timber yield tax returns and paying any tax due. This is true even if you made a verbal or written agreement with another person stating that they will pay the tax.

**Timber owner, defined**

You are considered a timber owner if:

- You own the trees immediately prior to their being felled or harvested; or
- You are the first person or agency (not exempt from property tax) to acquire legal or beneficial rights to timber after felling, when the trees were owned by a state, federal, or other tax-exempt entity. Examples of such agencies are the U.S. Forest Service ([USFS](#)) and Bureau of Land Management ([BLM](#)).

A timber owner can be an individual, government agency, or legal entity such as a partnership, limited liability company, or corporation.

**Tax applies when the trees are moved or used.**

The timber yield tax applies when your trees are cut down and/or moved to any storage or wood processing area, such as a sawmill. If you use the logs yourself, the tax applies when the timber is moved to a storage area somewhere else on your property or when they are put into use, whichever occurs *first*.

**The BOE automatically registers many timber owners.**

The BOE receives notice of timber harvest plans filed with [Cal Fire](#) and of federal government agency timber harvest contracts. If you filed harvest forms with Cal Fire or purchased a timber contract from federal agencies such as the USFS or BLM, the BOE's Timber Tax Section will establish a timber yield tax account for you and assign an account number. You will automatically be sent timber tax return forms and harvest value schedules, instructions on how to complete the returns, and a copy of this publication. You will remain registered with the BOE—and will be required to file timber tax returns—until you notify us, in writing, that you no longer intend to harvest timber.

*Exception:* The BOE will not register the owners of timber harvests that appear to have, in total, an immediate harvest value of \$3,000 or less within a quarter.

**Other timber owners must contact the BOE to register.**

If you own and harvest timber without authorization from Cal Fire or the federal government, use a timber harvest plan approved for someone else, or sell Christmas trees from a Christmas tree farm, it is your responsibility to contact the BOE to register for the timber yield tax.

**Information required for registration**

Whether you are automatically registered or call the BOE to register for the tax, you will be asked to furnish:

- The name(s) of the legal timber owner(s)
- Your driver license number
- Your Social Security number
- Your phone number
- Your mailing address (and county name)
- The type of ownership (individual, partnership, corporation, husband and wife, domestic partner, other)
- Type of harvest products (logs, fuelwood, Christmas trees, other)
- First date of harvesting (cutting the trees)

The BOE may request additional information necessary to fully complete your registration.

*Please note:* All information about your account is considered confidential, including your account number and even the fact that you are registered. If you want the BOE to send forms or information about your account to another party, you will need to give specific written authorization to the Timber Tax Section.

### **Other taxes and regulations**

The timber yield tax is a property tax based on the value of your timber. Other taxes, including sales tax and state and federal income tax, may apply to your operations. Complying with the requirements of the timber yield tax does not relieve you of your responsibility to comply with other applicable laws, including timber harvest laws and regulations.

# Timber Tax Definitions

*This section defines some of the terms used in this publication and on timber yield tax forms, [Harvest Values Schedules](#), and returns. Some of the terms may have a different meaning in another context. It is important that you understand the way they are used in this tax program, especially before you complete any tax return forms.*

## **Cull**

Unusable portion of a log that is caused by a defect in the log.

## **Cull log**

A log with *less than* one-quarter of its volume made up of sound, usable material. Logs with unsound sapwood are *not* cull logs if they contain one-quarter or more sound, usable material.

## **Harvest name or sale name**

Any name associated with a timber sale contract (legal harvesting agreement).

## **Harvest value/immediate harvest value**

The value of trees just before they are harvested, determined by the BOE and shown on the *Harvest Values Schedule*.

## **Low-value harvest**

A timber harvest with an immediate harvest value of \$3,000 or less within a quarter.

## **Low-value exemption**

The timber yield tax exemption that applies to low-value harvests.

## **MBF**

Thousand board feet (Scribner Short-Log Scale). The standard measure of logs.

## **Miscellaneous timber products**

Products such as Christmas trees, fuelwood, chipwood, poles, posts, split products (shakes and shingles), small sawlogs, and cull logs.

## **Sawlogs, small**

Small sawlogs (SSM) are conifer logs of any species, except coastal redwood, split products, and poles and pilings, where the average net volume per 16-ft log for all sawlogs removed from a timber harvest operation during the reporting quarter is less than 65 board feet, Scribner Short Log Scale.

## **Scaling**

Measuring logs to determine the volume of sound wood.

## **Scale ticket**

A document that shows the volume of wood in logs delivered to a sawmill.

## **Scribner Short-Log Scale**

A method of determining the volume of usable wood in a log, based on a 16-foot log. The standard scaling method authorized by the BOE for reporting sawlog volume.

## **Timber harvest operation**

A harvest on private land for an entire *Timber Harvesting Plan*, *Notice of Timber Operations*, or *Emergency Notice* (or any combination within the same geographical area), as submitted to Cal Fire; or, a harvest on public land for an entire timber sale contract between a public agency and a purchaser.

**Timber Value Area (TVA)**

A geographic area of the state having common timber growing, harvesting, and marketing conditions, as defined by the BOE.

**Volume**

The quantity of wood in a log or tree.

**Volume, adjusted gross**

The amount of wood material in a log after deducting for areas where the wood material is missing (used to report cull log volume).

**Volume, net**

The amount of sound, usable wood material in a log after deducting for areas where wood is missing or defective.

# Filing Timber Tax Returns

*This chapter contains basic information on timber tax return filing requirements, including due dates, and information on penalty and interest charges. Detailed information regarding how to properly complete your timber tax return is found in Completing Tax Forms, beginning on [page 12](#).*

## You must file quarterly returns

For most accounts, timber yield tax returns must be filed for each calendar quarter. However, if Christmas trees are the only forest product you harvest, you will file a return only for the fourth quarter of each year.

The filing date is the last day of the month following the end of the quarter, as shown below.

<i>Quarterly Reporting Period</i>	<i>Due Date</i>
1 January 1 through March 31	April 30
2 April 1 through June 30	July 31
3 July 1 through September 30	October 31
4 October 1 through December 31	January 31

Timber tax returns must be postmarked by the due date. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is considered the final filing date. If you do not file your timber tax return by the date it is due, you may be subject to interest and penalty charges (see “[Penalty and interest charges for late filing](#),” on the next page).

### ► You must file even if you do not harvest timber in a quarter.

You must file quarterly timber tax returns as long as you remain registered with the BOE, even if you do not harvest any timber during a reporting period. A check box on the return allows you to indicate that you did not harvest timber during the period.

### *If you are reporting only a low-value harvest*

You must file a return even if all of your harvests for the reporting period qualify for the low-value exemption. Use the check box on the timber tax return form to indicate that all of your harvests qualify for the low-value exemption and that no timber tax is due.

### *If you will not harvest in the future*

Another check box on the timber tax return form allows you to indicate when you have no further timber harvests to report. If you check this box, your account will be closed and forms will no longer be sent to you. You can reregister at any time.

## Required forms are mailed to you

Near the end of the calendar quarter, the BOE will mail you the forms necessary to properly report your timber tax. You will receive two forms—[BOE-401-APT](#), *Timber Tax Harvest Report*, which is used to report basic information about your harvest and to calculate total harvest value, and [BOE-401-1PT](#), *Timber Tax Return*, itself.

- *Please note:* You must file your quarterly timber tax return on time even if you do not receive one in the mail. If you do not receive your tax return forms by the tenth day after the end of the calendar quarter, please call the Taxpayer Information Section (see [page 26](#)) and ask for replacement forms or you may download them from our website at [www.boe.ca.gov/proptaxes/timbertax.htm](http://www.boe.ca.gov/proptaxes/timbertax.htm).

### *If you have more than one harvest or cut trees in more than one county or Timber Value Area*

Although you will file only one *Timber Tax Return* per quarter, you will need to file a separate *Timber Tax Harvest Report* for each harvest operation, each county, and each timber value area in which you harvest timber. If you need additional report forms, you may photocopy the blank one sent to you, download one from [www.boe.ca.gov/proptaxes/timbertax.htm](http://www.boe.ca.gov/proptaxes/timbertax.htm) or call the Taxpayer Information Section to request additional blank harvest report forms.

## Harvest Values Schedules are needed to complete your return.

Since you do not compute your tax based on the amount of money you received for your trees or timber products, the BOE will also send you *Harvest Values Schedules* that you must use to determine the proper value on which to calculate the timber yield tax. The *Harvest Values Schedule* instructions provide detailed explanations for the various reporting requirements (see [page 12](#)). If you do not receive the value schedules you need to complete your return, you can download them from [www.boe.ca.gov/proptaxes/timbertax.htm](http://www.boe.ca.gov/proptaxes/timbertax.htm). Or you can call the Taxpayer Information Section (see [page 26](#)) and ask that they be mailed or faxed to you.

## Penalty and interest charges for late filing

You may owe penalty and interest charges if you do not file a quarterly tax return or file after the due date, or if you do not pay the tax you owe by the date it is due.

The penalty for filing or paying late is ten percent of any tax amount due that was not paid by the due date. Interest accrues on a daily basis. The rate (which may change twice a year) is printed on your tax return, expressed as a daily interest factor.

### Example:

Your second quarter 2011 timber tax return was due on July 31, 2011, but you did not file until August 15, 2011. Your *Timber Tax Return* form shows tax due of \$1,000. Since your return and payment are late, you owe a penalty of \$100 (\$1,000 x 10%). In addition, you owe interest for 15 days.

The daily interest factor printed on your return is 0.0001096 (4% annual rate ÷ 365 days). The amount of interest you owe is \$1.64 (\$1,000 tax x 0.0001096 daily interest factor x 15 days). The total amount due with your return is \$1,101.64 (\$1,000 tax + \$100 penalty + \$1.64 interest).

## Requesting a filing or payment extension

Circumstances beyond your control may cause you to be late in filing your return or making your tax payment. If that occurs, you may request a time extension, provided you file and pay the amount due *within one month of the due date*. You may request an extension two ways. You may include a letter with your tax return explaining the reason your payment is late. Or, you may complete a [BOE-468, Request for Extension of Time to File a Tax Return](#), and mail it back to the BOE with a copy of your return or prepayment. This form can be found on [www.boe.ca.gov](http://www.boe.ca.gov). If the extension is granted, the ten percent penalty for late payment will be waived.

*Please note:* The BOE cannot waive the interest charge for late payments.

## Requesting relief from late payment penalty

If you pay your timber yield tax more than one month after it is due, you may wish to seek relief from the late payment penalty. To do so, you need to file a statement “under penalty of perjury” (be sure to include those words) explaining why your payment is late, and why you believe the penalty should not apply. Or, you may complete [BOE-735, Request for Relief of Penalty](#), which is found on [www.boe.ca.gov](http://www.boe.ca.gov), and send it to:

Timber Tax Section, MIC:60  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0060

The BOE may grant your request for penalty relief and waive the ten percent penalty. As previously noted, any interest due will still apply.

## Filing a corrected return

You may need to file corrected forms for the calendar quarter if you find that you made a mistake on your original timber tax return. The best way to provide the correct information is to mark your corrections in red on a photocopy of the original form. (If corrections are extensive, you may choose to use entirely new forms.) In either case, please print “CORRECTED” at the top of the form.

► *Please note:* Be sure not to make adjustments or corrections for one quarter on a timber tax return for a different quarter.

### ***If you underpaid tax***

If your correction shows that you underpaid the timber tax, you must file the corrected tax return forms and pay the additional tax due, plus interest for the number of days that passed between the original due date and the date you pay the additional tax (see example on previous page).

### ***If you overpaid tax***

If your correction shows that you overpaid the timber tax, you may submit a written claim for refund. If your correction shows that you overpaid the timber tax, you may submit a completed [BOE-101](#), *Claim for Refund or Credit*, which is on our website or a simple written letter requesting the refund. Please be sure that the letter clearly states your name and timber tax account number and the specific reasons you believe you have overpaid tax. It is best to include a photocopy of your original tax return forms with corrections shown in red. Claims for refund must be submitted within three years of the due date for the calendar quarter involved, or within six months of the date of the overpayment, whichever period expires *last*. Be sure to sign and date your claim.

### **Billing for tax due when return not filed**

If, for any reason, you do not file a quarterly timber tax return, the BOE may bill you for tax we determine you owe for the period, based on the best information available to us, including your filing history. Any such billing will also include interest and penalty due.

If you believe that the billed amount is wrong or excessive, it is your responsibility to provide evidence showing you owe less tax.

### **If you refuse to file a return or to furnish information**

If you refuse to file a timber yield tax return or furnish information requested by the BOE, you may be fined up to \$5,000, imprisoned for up to one year in county jail, or both, for each violation. If the BOE determines that you did not file a return or purposely understated your tax because of fraud or intent to evade the timber tax, you will be billed a 25 percent penalty and be subject to criminal prosecution.

# Keeping Records

*This chapter gives general information on the recordkeeping requirements of the Timber Yield Tax Law. For more detailed information, you may wish to obtain a copy of [Property Tax Rule 1031, Records](#), from our [website](#).*

## **Maintaining adequate records**

You must maintain adequate and complete records that will back up your timber yield tax returns, and make them available to the BOE upon request. Your records need to show all of the following:

- The contractual or financial agreements related to the ownership and logging of your trees
- The locations of the trees cut
- Wood product volumes
- The basis for computing harvest values

The timber industry customarily uses a variety of items to record this information. Your records may include the following:

- Financial books (ledgers and journals)
- Income tax returns
- Complete harvest plans
- Timber sale contracts
- Bills, receipts, invoices, statements, worksheets, and summaries
- Check stubs
- Scale tickets
- Appraisal notes
- Property maps
- Any other document used in preparing your timber tax return or that can substantiate your return

## ***Records on microfilm or in electronic format***

You may maintain your records on microfilm or in an electronic format, provided they meet certain requirements. For more information, see [Property Tax Rule 1031, Records](#), or contact the BOE's Timber Tax Section.

## **Record retention period**

You must generally maintain records for a period of four years from the due date of your quarterly tax return, or the date the return was filed, whichever is later.

## **If you do not maintain records**

If you do not keep and maintain complete and accurate records, the BOE may consider that as evidence of negligence or intent to evade the timber tax. As previously mentioned, you may be subject to penalties and prosecution.

# Audits and Appeals

*This chapter includes general information on the return and account review and audit procedures used by the BOE in administering the timber yield tax, and provides an overview of appeals procedures. For more information, please contact the Timber Tax Section.*

## Information review

As noted in the first chapter, the BOE receives notification of potential logging activity from other state and federal agencies. In addition, Timber Tax Section staff use several methods to verify that timber harvests and tax amounts are properly reported, including review of:

- Tax returns
- Harvest volume information provided by all California sawmills and nearby sawmills in Oregon and Nevada
- Information gathered by Timber Tax Section staff that is used in setting harvest values

## Returns reviewed as submitted and when accounts are closed

The BOE reviews all timber tax returns for completeness and accuracy as they are received. When your account is closed, all of your tax reporting is again subject to review. If you have made a mistake or information is missing or inconsistent, you may be sent a bill for unpaid tax or a letter notifying you of a potential billing or refund, along with instructions letting you know what to do next.

## Types of audits

In addition to reviewing returns for accuracy, the BOE also conducts two basic types of timber yield tax audits:

- *Office audits*, conducted using information obtained from sawmills and other information acquired to set harvest values
- *Field audits*, conducted when the BOE needs additional records to verify tax reporting

## Office audits

If review of sawmill and other industry records reveals a discrepancy in your tax reporting, or the BOE otherwise finds you have not reported timber tax that appears to be due, an *office audit*—using only the information already on hand—may be conducted. As a result, you may be sent a *Report of Investigation* that indicates you owe additional tax, or you may be notified that you are owed a refund (see “[Audit results](#),” next page).

## Field audits

The Timber Tax Section conducts field audits of approximately 20 percent of those accounts owing more than \$100,000 of timber yield tax per year. Generally, accounts that owe lesser amounts are subject to a field audit only on an “as needed” basis.

### *Notification of field audit date and time period*

If you are selected for a timber tax field audit, a BOE auditor will telephone or write you in advance to arrange an acceptable date to begin the audit. At that time, the auditor will identify the time period covered by the audit and the records needed for review. If your records are not available in California, you may need to have them delivered to Sacramento.

### *Audit period*

California law generally allows the BOE to audit your account for the period ending three years prior to the time the audit takes place. Under certain conditions, the audit can examine earlier periods. Determinations (billings or refund notices) can be issued for any reporting period covered by the audit.

### ***Audit process***

At the beginning of the field audit, the auditor will confer with you to determine what background information, reporting methods, and records will be reviewed. As the audit progresses, the auditor will discuss with you sample periods, sampling techniques, and any problem areas. A final conference will usually be held to explain any proposed refunds or additional tax or to indicate that there will be no change in your tax liability. In addition, the auditor may make suggestions regarding your future timber tax reporting practices.

### ***Audit working papers***

You are entitled to request and receive copies of the audit working papers, which normally include schedules that document the tests and examination procedures used in the audit. A copy of any new or revised tax return forms is supplied to you along with a *Report of Investigation*.

### ***Audit results***

After the written copy of the field or office audit is processed through an internal review, you will be sent a *Report of Investigation* detailing the audit results. If you have questions or disagree with any portion of the report, you will have ten days from the date of the cover letter to telephone or write to the auditor.

If you do not reply and the audit revealed additional tax due, the BOE will send you a billing called a *Notice of Determination*. You have 30 days from the date of the notice to pay the amount due or to file an appeal of the audit billing. If the audit shows that you are due a refund, the auditor will request that you submit a written claim for refund (see “[If you overpaid tax](#),” page 8). After reviewing your claim and ensuring that you do not owe other offsetting amounts of tax, the BOE will issue you a refund check.

### ***Appealing the results of an audit***

You may appeal a BOE audit finding by submitting an appeal petition within 30 days of the date of the *Notice of Determination*. Your petition, which can be in the form of a letter or the completion of [BOE-416, Petition for Redetermination](#), must:

- Identify the protested items
- State the specific grounds or reasons why you believe you do not owe the tax due

You should also include your account number and a specific request for a hearing. This request will ensure that, if necessary, you will have the opportunity for an appeals conference and a BOE hearing later in the appeals process.

Be sure that you sign and date your petition.

If you would like more information on appeals, please see [publication 17, Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees](#), available on our website.

### ***Submitting your petition on time***

Please ensure that your petition is postmarked no later than *30 days* from the date of the *Notice of Determination*. Your petition may be denied if submitted at a later date. If your petition is not submitted on time and you still wish to contest the amount due, you will need to pay the tax liability shown on the notice and file a claim for refund of the amount you believe you do not owe (see [page 8](#)).

Please send your petition to:

Timber Tax Section, MIC:60  
Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0060

You may also send your appeal by fax to 916-285-0134.

*Please note:* Interest continues to accrue on amounts due while your appeal is pending. If you wish to stop the accrual of interest, you may wish to pay the amount indicated on the *Notice of Determination* and file a claim for refund. Payment does not indicate your agreement with the notice.

The BOE will notify you in writing of its findings and rulings on the appeal.

# Completing Tax Forms

*This chapter is intended for use as a reference as you complete your timber tax forms. There is additional information on how to complete the forms in the Harvest Values Schedule and on the forms themselves. Examples and tips for completing the forms are found in the next chapter. If you need further help, please call 800-400-7115.*

## Calculating tax—the basic formula

The timber tax return (“return”) and timber tax harvest report (“harvest report”) take you through the steps necessary to calculate the amount of timber yield tax that you owe, if any. While there are several preliminary steps, the tax calculation can be simplified as a basic formula:

$$\text{Volume} \times \text{Value} \times \text{Tax Rate} = \text{Tax Due}$$

You will supply the figures for the volume of the trees cut. The value and tax rate are established and provided by the BOE, although you or your tax preparer must supply some information about the trees cut in order to determine which values apply.

## Information needed to complete your return

You will need to have all of the following information on hand as you complete your return:

- Your harvest plan or government contract number
- The harvest or sale name, if one was used
- The location, including the county, where the trees were cut
- The dates the timber was scaled
- Whether the cutting has been completed
- The number of acres on which the harvest took place
- Current BOE *Harvest Values Schedule* (see [page 7](#))

In addition, you will need to know this information:

- The species (type) of trees cut (examples: ponderosa pine, redwood, sugar pine, Douglas fir, western red cedar, white fir)
- Whether the cutting was done to green or salvage (dead or dying trees)
- The type of logging system used (the method used to move the trees from the stump to a truck or storage area)
- The volume (quantity) cut

## Where to find it

Some of the information will be available from the *Timber Harvesting Plan*, *Exemption Notice*, or *Notice of Emergency Operations* that you filed with the [Cal Fire](#) (or from your federal government agency contract). The sawmill or your logger generally provides summaries showing most of the needed information.

If you cannot find information you need regarding the salvage classification for the trees cut, the number of acres involved, or the logging system used, you should contact your forester or logger for assistance.

## Steps in completing your forms

Completing your harvest report and return involves several steps. Most involve determining the taxable harvest value of your timber, using the information you have about the timber harvested, and the BOE’s *Harvest Values Schedule*.

➤ *Please note:* Be sure to use the *current* schedules when completing your forms.

## Complete the report before the return

You must complete your [BOE-401-APT](#), *Timber Tax Harvest Report*, form(s) *before* you can complete [BOE-401-1PT](#), *Timber Tax Return*. While you will only file one return per quarter, you may need to file more than one report.

## ***The basic steps***

The basic steps you will follow in determining your timber yield tax are outlined here; most are explained in the text, as noted. Some steps have more than one part. Steps 1–7 involve the harvest report rather than the return. They must be repeated for *each* report you complete.

**Please note:** Unless otherwise noted, the column and item number references in this chapter refer to the Harvest Report, not the tax return.

1. Identify the county and Timber Value Area where your trees were cut (below).
2. Determine the species code ([pages 14 and 15](#)). For forest products other than sawlogs, skip to step 5.
3. Identify the logging method for each species code ([page 15](#)).
4. For certain species, determine the size code ([page 16](#)).
5. Determine the volume for each species code ([page 16](#)).
6. Determine net harvest value *per unit* for each species code ([page 17](#)).
7. Determine taxable harvest value (per-unit value x volume) for each species code and total for all codes ([page 18](#)).
8. Transfer information on each timber tax report to your timber tax return (see samples, [page 22](#)).
9. Total amounts listed and multiply by timber yield tax rate to determine tax due (see samples, [page 22](#)).

### **Step 1.**

#### **Identify the harvest county and Timber Value Area (items 6A, 6B, and 7)**

First, you need to identify the county and Timber Value Area (TVA—see next page) in which your trees were cut. You must complete a *separate harvest report* for *each* county and TVA in which you harvested trees (and for each separate timber operation). A code number for each county is listed on the back of the *Timber Tax Harvest Report*.

For timber yield tax purposes, the state is divided into nine Timber Value Areas, made up of groups of counties (or parts of counties).

The area within each TVA has common timber growing, harvesting, and marketing conditions. Values for the different types of timber, as established by the BOE, may be different in each TVA. The *Harvest Values Schedule* and the [map](#) on page 23 contain the information you need to determine the TVA for your timber harvest.

## Step 2.

### Determine the species code (column 12)

Next, you need to determine the *species code* for your timber. Species codes for wood products *other than sawlogs* are shown below.

#### Species codes, miscellaneous forest products

Product	Species Code
Christmas trees, natural miscellaneous	XNM
Christmas trees, natural red fir	XNR
Christmas trees, natural white fir	XNW
Christmas trees, plantation	XP
Cull logs	CUL
Fuelwood, hardwood	FWH
Fuelwood, miscellaneous	FWM
Pulp chipwood and hardwood logs	HW
Woods-produced fuel chips	CS
Poles and pilings, small DF (20'–50')	PSD
Poles and pilings, large DF (51' and up)	PLD
Poles and pilings, PP, TF (all sizes)	PFP
Posts, round	PST
Split products, redwood	TR
Split products, miscellaneous	TM
Small sawlogs, miscellaneous (SSM) <sup>1</sup>	SSM
Miscellaneous conifer species <sup>2</sup>	CM

<sup>1</sup> To qualify for the SSM Immediate Harvest Value (IHV), the average log volume for all species combined, excluding coastal redwood, split products, and poles and pilings, must be less than 65 board feet per 16-foot segment. To determine this average, the total lineal footage of each species of the scaled logs is first divided by 16 to determine the number of 16-foot log segments for each species. Then, the sum of the number of log segments for all species, excluding coastal redwood, is divided into the total net volume for all species, excluding coastal redwood, split products, and poles and pilings. If the result is less than 65 board feet, the SSM IHV applies to the entire combined net volume for all species other than coastal redwood, split products, and poles and pilings.

<sup>2</sup> Includes lodgepole pine, knobcone pine, gray pine, and other evergreen species not listed in harvest value Tables G and S.

If you did not harvest softwood sawlogs, you can go to the next step in completing your report—determining product volume (see [page 15](#)).

### Sawlogs

For sawlogs (except for “small sawlogs,” see footnote above), the species code is based on two factors, as defined by the BOE:

- Species
- Whether the logs qualify as salvage timber

*Species* (type of tree). The species code chart below shows the species categories you must use to report your timber harvest. *Please note:* Some codes include several different kinds of trees.

*Salvage.* Salvage timber generally has less value. Under the Timber Yield Tax Law, timber qualifying for salvage values:

- Must be removed from an area designated for salvage logging in the timber harvest plan, timber contract, or harvest plan exemption; and
- Includes only dead, dying, or damaged trees that would not survive twelve months; or down trees.

Redwood logs that are dead or down, previously left as unmerchantable in an earlier harvest, can qualify as salvage timber.

Trees removed as part of a salvage harvest that do not qualify as salvage timber *cannot* be given salvage species codes and values. The following *do not* qualify as salvage timber:

- Dead, dying, damaged, or down trees removed as part of a normal harvest
- Live, healthy trees removed from an area of salvage logging

### Species codes, softwood logs

Species	Species Code	
	<i>nonsalvage</i>	<i>salvage</i>
Ponderosa pine <sup>1</sup>	PPG	PPS
Hem/fir <sup>2</sup>	FG	FS
Douglas fir	DFG	DFS
Incense cedar <sup>3</sup>	ICG	ICS
Redwood	RG	RS
Port Orford cedar	PCG	PCS

<sup>1</sup> Includes Jeffrey pine, sugar pine, coulter pine, and western white pine.

<sup>2</sup> White fir, red fir, grand fir, western hemlock, mountain hemlock, spruce, and Shasta red fir.

<sup>3</sup> Includes western red cedar.

### **Enter species codes in column 12**

In column 12 of your harvest report, enter the species code for each category of timber harvested. Be sure to make separate entries for trees of the same species code harvested using different logging systems (see next section). For example, if you harvested some ponderosa pine trees using tractor logging and others using a skyline system, list the code for ponderosa pine (PPG) twice in column 12.

### **Step 3.**

#### **Determine the logging system code (column 13)**

For each sawlog species code you list on your report, you will also need to list a code for the logging system—the method used to move the logs from the stump to a truck or storage area. The logging codes and systems are shown below.

*Code    Logging System Used*

- T    *Tractor*—pulling logs behind a tracked, wheeled, or rubber-tired tractor or skidder, or using a winch attached to a tractor.
- S    *High-lead cable and skyline*—dragging logs or lifting logs off the ground with cables attached to poles or trees.
- H    *Helicopter.*

*Please note:* If you used a logging system other than those listed or are unsure which system to report, please contact the Timber Tax Section.

### Enter logging code in column 13

In column 13 of your timber tax report, list the logging system code letter for each sawlog species code you have entered in column 12.

### Step 4.

#### Determine the size code (columns 14 and 15)

For harvests of ponderosa pine, Douglas fir, redwood, and Port Orford cedar, you may need to determine the size code for the logs. (This is not required for certain species—check value schedules.) The code is based on the average net volume per 16-foot log. To determine the average net volume, you must divide the total net volume for the logs (excluding cull logs) in a particular species code by the total number of 16-foot log segments. If you don't know the number of logs, calculate it by dividing the total linear footage by 16.

*Example:* You harvest 20,000 board feet (20 MBF) of live, healthy ponderosa pine trees (species code PPG) from your land. Your lumber mill scale summary shows the total linear footage as 1,126 feet. To determine the size code, you first determine the number of 16-foot log segments ( $1,126 \div 16 = 70.375$ ). To determine the net volume per 16-foot log, you then divide the total net volume—20,000—by 70, the number of whole 16-foot segments. The average number of board feet per log is 285 ( $20,000 \div 70 = 285$ ). Using the following chart, you determine the size code of your ponderosa pine to be 2, since the average segment contained more than 150 board feet and less than 300 board feet.

#### Size codes

Species	Size Codes		
	1	2	3
	average number of board feet per 16-foot segment		
Ponderosa pine	Over 300	300–150	Under 150
Douglas fir	Over 300	300–150	Under 150
Redwood	Over 300	300–150	Under 150
Port Orford cedar	Over 125	125 & under	n/a

### Enter size code in column 15

Enter the size code, if needed for the species listed above in column 15 of your timber tax report. You must also list the average volume per log (in board feet) in column 14.

### Step 5.

#### Determine product volume (columns 16 and 17)

You must list the total volume harvested for each species code you have entered on your harvest report, in the units of measure defined by the BOE. Be sure to list volume only for those trees scaled in the reporting quarter.

#### Sawlogs (column 16)

Sawlogs are measured in net thousands of board feet (MBF). Volume for sawlog species codes must be listed in column 16 of your timber tax report in thousand board foot-increments, rounded to the nearest thousand board feet. For example, if you harvested 40,400 board feet (40.4 MBF) of a particular species, you would round this amount to the nearest thousand board-foot increment and enter the volume for that species as “40.”

*Please note:* For sawlogs, the volume of timber harvested is usually noted on your mill scale summary. Be sure to use the *net* volume rather than the *gross*, if both are listed. If your records do not list timber in thousand board-foot increments, you may need to consult your forester, logger, or sawmill. You may also contact the Timber Tax Section for assistance.

### **Miscellaneous timber products**

Volumes for miscellaneous timber products (see table on page 14) must be listed in the units of measure shown in *Table 1* of the *Harvest Values Schedule*, rounded to the nearest full unit. Fuelwood, for example, is measured in full cords (4' x 4' x 8'). In column 17 of your report, enter the volume for miscellaneous products listed in column 12 (except for split products, poles and pilings, and small sawlogs) on the same line as the species code. Split products (shakes and shingles) must be converted to board feet by multiplying the thickness (T") of the product by its width (W") and length (L")—all in inches—and then dividing by 144. ( $T \times W \times L \div 144 =$  board feet per piece; multiply by number of pieces for total volume.) Enter volumes for split products, poles and pilings, and small sawlogs in column 16.

### **Step 6.**

#### **Determine harvest value per unit (column 18)**

The next step in completing your harvest report is to determine the net value per unit for the species you harvested and listed on your report. Values for miscellaneous products are shown in *Table 1* of the values schedule, and should be transferred to column 18 of your report exactly as they appear in the table. Before you can determine the value of your sawlogs, however, you need to determine whether any value adjustments (deductions) apply.

#### **Logging system adjustment**

All sawlog values shown on the *Harvest Values Schedule* tables are for timber harvested using a tractor logging system (logging code T, see page 15). If you used a different logging system, the timber may qualify for a deduction from the values shown. Each table lists deduction amounts for the various logging systems.

#### **Small total volume adjustment, item 11A**

If the total volume of timber you harvested during the quarter is relatively small, you may qualify for a deduction, as noted on the *Harvest Values Schedule* tables. To determine the total volume of timber you harvested during the quarter, add all figures you have entered in column 16 of your report and compare the result to the small volume figures shown on the table. If you qualify for a small volume deduction, be sure to list the amount of the deduction in item 11A of your report.

#### **Low volume per acre adjustment, item 11B**

For timber other than salvage timber and *Table 1* products, you may qualify for a low volume per acre deduction. To determine the volume per acre of your harvest, you must divide the total volume removed this quarter (from item 9 or box 20 on your report) by the total acres on which you actually harvested timber during the quarter (item 10). If the result is less than 5 MBF per acre, you qualify for the deduction shown on the table. Enter the amount of the low volume per acre deduction on line 11B.

#### **Using the Harvest Values Schedule tables**

To determine the unit value for your sawlogs, you must first determine which table in the *Harvest Values Schedule* to use for each species code. There are two tables of sawlog values: one for green (nonsalvage) timber (*Table G*) and one for salvage timber (*Table S*). A sample table section is found on [page 21](#).

In using the table, you must refer to the species codes you have listed in column 12 and, if applicable, the size codes from column 15. After you find the proper species code (and size code, if applicable), read across until you reach the column for your Timber Value Area. The figure printed there is the BOE-established value per MBF for timber of that species, grown in that area. If there are no adjustments that apply, transfer the printed table value to column 18 of your report. If there are applicable adjustments, deduct them from the table value first and then enter the result in column 18. You will need to follow this process for each sawlog species code listed on your report.

### **Example:**

Using a tractor logging system, you harvest 15 MBF of live redwood (species code RG) of size code 2 in Humboldt County (TVA 1). Using *Table G, Timber Harvest Values*, you determine that the unit value for the timber is \$700. You have already determined that you qualify for a small total volume adjustment of \$150 and a low volume per acre adjustment of \$25. You would calculate the unit value of your redwood in this way:

\$ 700*	value from <i>Table G</i>
– 150*	small volume adjustment
– 25*	low volume per acre adjustment
\$ 525	harvest value per unit

Enter the result, \$525, in column 18 of your harvest value report.

\* These amounts are shown as examples only. Be sure to use the current harvest values and adjustment amounts shown in the applicable *Harvest Values Schedule*.

### **Step 7.**

#### **Determine taxable value (column 19)**

The next step in completing your harvest report is to determine the taxable harvest value for each species code listed. Since you have already listed all of the volume and value figures on your report, there are no further preparatory steps. Just multiply the volume figure from column 16 or 17 by the harvest-value-per-unit figure in column 18. Enter the result (rounded to the nearest whole dollar) in column 19 ([see example](#), page 22). When you have calculated the taxable harvest value for all products listed on the report, total the figures in column 19 and enter the result in box 21.

If the total in box 21 is more than \$3,000, transfer the figure to your return. Multiply the amount by the tax rate to determine the timber yield tax due ([see completed sample forms](#) on page 22).

If the total in box 21 is \$3,000 or less, *do not* carry the amount forward to your tax return. Instead, please print EXEMPT in large block letters on the face of your harvest report and then check the low-value exemption box on your return.

# Examples and Tips

*This chapter includes an example of how to complete a timber harvest report for a sample harvest, examples of completed forms, and tips on completing your report and return.*

## Completing timber tax forms

You, Tim Timberowner, filed a Timber Harvesting Plan with [Cal Fire](#) so that you could harvest trees from your 20-acre parcel of land. The property is in Shasta County, between Interstate Highway 5 and State Highway 89. Cal Fire approved your harvest plan and assigned the identification number 2-11-8888-SHA(2). To make identification easier, you agreed with the logger to name your harvest “Nest Egg.” After learning of your harvest from Cal Fire, the BOE notified you that you were registered as a timber owner and assigned you a timber tax account number, YT-888888.

***Forms completed with information from this example are found on [page 22](#).***

The logger started cutting the trees January 19, 2011, and finished March 11, 2011. He used a tractor to move the logs to his trucks. The logs were delivered to a sawmill and scaled as they arrived. According to the scaling summaries you received, the logger harvested:

- 39.500 net thousand board feet (MBF) of ponderosa pine, which totaled 3,280 linear feet
- 25.490 net MBF of hem/fir
- 14.950 net MBF of incense cedar

The summaries also show 5.850 MBF of pine and fir logs that were classified as “cull.” In addition to the logs delivered to the mill, you cut 4 cords of pine for your own use as firewood.

## Completing your harvest report

Since you had only one harvest operation during the quarter and it took place in one county, you will complete one [BOE-401-APT](#), *Timber Tax Harvest Report*. A sample report, completed with information from this example, is on [page 22](#).

### Column 12, Species Code

List the species code for each timber product you harvested (see tables on [pages 16](#) and [17](#) and [Harvest Values Schedule](#)):

- PPG for ponderosa pine
- FG for hem/fir
- ICG for incense cedar
- CUL for cull logs
- FWM for pine firewood

### Column 13, Logging Code

Enter a “T” for tractor logging ([page 16](#)), for each species code except CUL and FWM.

### Columns 14 and 15—Average Volume per Log and Size Code

*Column 14.* First, calculate the number of 16-foot ponderosa pine logs harvested ( $3,280 \text{ linear feet} \div 16 = 205$ ). Next, divide the total volume for the ponderosa pine by 205 to obtain the average volume per log ( $39,500 \text{ board feet} \div 205 \text{ logs} = 193 \text{ board feet per log}$ ). Enter in column 14 on the line for PPG.

*Column 15.* Enter 2, the size code (from [page 16](#)) for ponderosa pine logs with over 150 board feet and less than 300 board feet per log (PPG line).

### Column 16, Volume Harvested

For your sawlogs, round summary volumes to nearest whole MBF: 40 for species code PPG, 25 for FG, 15 for ICG.

### Column 17, Miscellaneous Harvest Volume

Use harvest value *Table 1* to determine the measurement unit: MBF for cull logs and cords for fuelwood (round to nearest full unit). Enter 6 for cull logs (CUL) and 4 for pine firewood (FWM).

### Item 20, Total Volume Harvested

Add all volumes listed in column 16 ( $40 + 25 + 15 = 80$ ).

### Item 11A, Small Total Volume Deduction

Enter the adjustment for small total volume (*Table G*). Since your total volume of 80 MBF is less than 100 MBF but more than 25 MBF, your deduction is \$100.

### Item 11B, Low Volume per Acre Deduction

Divide total harvest volume (box 20 and line 9) by number of acres cut (line 10):  $80 \text{ MBF} \div 20 \text{ acres} = 4 \text{ MBF per acre}$ . Enter low volume per acre adjustment, \$25, from *Table G*.

### Column 18, Harvest Value per Unit (use Harvest Values Schedule)

For firewood and cull logs, enter full value as shown on table (there are no allowable deductions). For sawlogs, subtract applicable deductions from table value and enter result.

- Ponderosa pine (PPG); use *Table G—Timber Harvest Values* ([see sample](#) next page). Find value for PPG, size code 2, in Timber Value Area 5, \$250. Subtract the adjustment amounts of \$100 and \$25 (lines 11A and 11B), and enter the result, \$125.
- Hem/fir (FG); use *Table G—Timber Harvest Values*. Find FG value for Timber Value Area 5, \$180. Subtract the adjustment amounts of \$100 and \$25, and enter the result, \$55.
- Incense cedar (ICG); use *Table G—Timber Harvest Values*. Find ICG value for Timber Value Area 5, \$280. Subtract the adjustment amounts of \$100 and \$25, and enter the result, \$155.

Sample section, *Harvest Values Table*, showing where to find table value for ponderosa pine, size code 2, TVA 7.

Table G—Timber Harvest Values						
Tractor Logging (Logging Code T)						
Species	Species Code	Size	Timber Value Area			
			5	6	7	8
Ponderosa pine	PPG	1	300	290	300	200
		2	250	240	250	160
		3	220	220	160	100

- Cull logs; use *Table 1—Miscellaneous Harvest Values*. Enter the value shown for cull logs (CUL), \$5 (no deductions apply).
- Fuelwood; use *Table 1*. Enter the value shown for fuelwood, miscellaneous (FWM), \$15 (no deductions apply).

**Column 19, Taxable Harvest Value**

Calculate for each line, multiplying the volume in column 16 or 17 by the unit value in column 18.

<i>Species Code</i>	<i>Volume</i>	x	<i>Unit Value</i>	=	<i>Taxable Value</i>
PPG	40	x	\$ 125	=	\$ 15,000
FG	25	x	\$ 55	=	\$ 1,375
ICG	15	x	\$ 155	=	\$ 2,325
CUL	6	x	\$ 5	=	\$ 30
FWM	4	x	\$ 10	=	\$ 40

**Item 21, Total Taxable Harvest Value**

Total the amounts in column 19 and enter result, \$28,990. This is the amount you will transfer to your timber tax return.

**Completing the return**

Complete the first line of [BOE-401-1PT](#), *Timber Tax Return*, being sure to list the county name, Shasta, and county number, 45, in the proper columns. Transfer the amount in item 21 of your harvest report, \$28,990, to column 4. (If you had completed additional harvest reports, you would transfer the box 21 amounts from each report to the next lines on the return and total them on line 6 of the return.)

**Item 7, Timber Tax**

Multiply Item 6, Total of Harvest Values, by the tax rate indicated and enter the result ( $\$28,990 \times 2.9\% = \$840.71$ ). Since you are filing and paying on time, there is no interest or penalty due. The total timber yield tax due on the timber you harvested this quarter is \$840.71.



## Timber Value Areas

Use this map to determine the timber value area for your harvest (see [page 15](#)).

Timber Value Area boundaries follow county boundaries with the following exceptions:

*Siskiyou County:* west of I-5 is in TVA 4, East of I-5 is in TVA 5.

*Shasta County:* west of I-5 is in TVA 4, East of I-5 is in TVA 5.

*Tehama County:* west of I-5 is in TVA 4, East of I-5 is in TVA 7.







# For More Information

## General tax information, help with your forms

If you need general information about the timber yield tax, or help completing your timber tax forms, you may call the BOE Taxpayer Information Section. Customer service representatives are available to help you Monday through Friday (except state holidays), from 8:00 a.m. to 5:00 p.m. (Pacific time).

Call 800-400-7115

TTY: 711

## Faxback service

If you would like to obtain commonly requested BOE forms, including order forms for publications and forms, you may call the BOE Taxpayer Information Section and use the faxback option. Your order will be faxed to you within 24 hours of your call.

## Specific information and tax advice

For specific information about your account, or registration, or tax reporting requirements, you may write, call, or fax the:

Timber Tax Section, MIC:60  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0060  
916-274-3330 phone  
916-285-0134 fax

## Written advice

You may also visit our Internet site at [www.boe.ca.gov](http://www.boe.ca.gov).

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, and interest charges if the BOE determines that it gave you erroneous written advice. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances involved.

## Publications

The BOE publishes a variety of publications that may be of interest to you:

- 17 *Appeals Procedures Sales and Use Taxes and Special Taxes*
- 29 *California Property Tax: An Overview*
- 43 *California Timber Yield Tax Law* (statutes and regulations)
- 51 *Board of Equalization Resource Guide to Free Tax Products and Services for Small Businesses*  
(includes full publications list)
- 54 *Tax Collection Procedures*
- 70 *Understanding Your Rights as a California Taxpayer*
- 86 *California Timber Yield Tax-Timber and Timberland Values Manual* (introductory brochure)

## Information on the Internet—[www.boe.ca.gov](http://www.boe.ca.gov)

In addition to copies of selected forms and publications, our [website](#) also includes [BOE-401-1PT](#), *Timber Tax Return*, [BOE-401-APT](#), *Timber Tax Harvest Report*, [Harvest Values Schedules](#), timber harvest data by county, online ordering for forms and publications, Board meeting dates, county assessors' office information, and other information about the BOE and the programs it administers.

You may also order publications, *Harvest Values Schedule*, and BOE-401-APT, *Timber Tax Harvest Report* forms 24 hours a day by calling our toll-free number.

## Taxpayers' Rights Advocate

If you have been unable to resolve a conflict with the BOE through regular channels or would like to know more about your rights under the Timber Yield Tax Law, please contact the [Taxpayers' Rights Advocate](#) for help:

Taxpayers' Rights Advocate, MIC:70  
State Board of Equalization  
PO Box 942879  
Sacramento, CA 94279-0070  
888-324-2798 toll-free phone  
916-324-2798 phone  
916-323-3319 fax

