

Instructions For Preparing Virginia Forest Products - Small Manufacturers and Certain Small Severers Tax Return (Form 1035)

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, crossties, 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 the 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 or shipment 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 Date

Small 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.

4. Computation of Tax:

A. Small Manufacturers: The tax is computed on the number of board feet manufactured annually that is less than 300,000 or between 300,000 and 500,000 board feet. Enter in Part I the amount of tax based on the flat rate shown for the number of board feet manufactured during the year. The reforestation and protection amounts have been pre-filled for items one and two. Complete the “Tax Part I” line based on the amount reported in Item 1 or 2.

B. Small Severer: 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. Enter in Part II the quantity of each product type by length, volume or weight and multiply by the appropriate tax rate shown on the form. Total the Tax in Part II based on the amounts shown in Part II for each item. Enter the amount from Part I, if any, on the line labeled Tax Part I. Total Tax Parts I and II.

5. **Payment:** Full payment of the amount due must accompany the return. Checks and money orders, made payable to the Department of Taxation, and the return, should be mailed to:

**Virginia Department of Taxation
P. O. Box 2185
Richmond, VA 23218-2185**

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 *Code of Virginia* § 58.1-15.

7. **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 of Virginia and used by state educational institutions for experimentation in and teaching of forestry, where the severance is necessary or incidental to such experimentation and teaching.

Assistance and Forms

- For assistance, call (804) 786-2450 or write to the **Department of Taxation, P.O. Box 715, Richmond, VA 23218-0715.**
- Forms and instructions are available for download from our website, www.tax.virginia.gov

List of Virginia Counties and Cities

* Please note that four counties have the same name as a city - Fairfax, Franklin, Richmond and Roanoke.

Counties

Accomack	Franklin County*	Nottoway
Albemarle	Frederick	Orange
Alleghany	Giles	Page
Amelia	Gloucester	Patrick
Amherst	Goochland	Pittsylvania
Appomattox	Grayson	Powhatan
Arlington	Greene	Prince Edward
Augusta	Greensville	Prince George
Bath	Halifax	Prince William
Bedford County	Hanover	Pulaski
Bland	Henrico	Rappahannock
Botetourt	Henry	Richmond County*
Brunswick	Highland	Roanoke County*
Buchanan	Isle Of Wight	Rockbridge
Buckingham	James City	Rockingham
Campbell	King And Queen	Russell
Caroline	King George	Scott
Carroll	King William	Shenandoah
Charles City	Lancaster	Smyth
Charlotte	Lee	Southampton
Chesterfield	Loudoun	Spotsylvania
Clarke	Louisa	Stafford
Craig	Lunenburg	Surry
Culpeper	Madison	Sussex
Cumberland	Mathews	Tazewell
Dickenson	Mecklenburg	Warren
Dinwiddie	Middlesex	Washington
Essex	Montgomery	Westmoreland
Fairfax County*	Nelson	Wise
Fauquier	New Kent	Wythe
Floyd	Northampton	York
Fluvanna	Northumberland	

Cities

Alexandria	Galax	Poquoson
Bristol	Hampton	Portsmouth
Buena Vista	Harrisonburg	Radford
Charlottesville	Hopewell	Richmond City*
Chesapeake	Lexington	Roanoke City*
Colonial Heights	Lynchburg	Salem
Covington	Manassas	Staunton
Danville	Manassas Park	Suffolk
Emporia	Martinsville	Virginia Beach
Fairfax City*	Newport News	Waynesboro
Falls Church	Norfolk	Williamsburg
Franklin City*	Norton	Winchester
Fredericksburg	Petersburg	