

# **WORKERS' COMPENSATION DEBT REDUCTION ACT OF 2005**

## **Effects on Timber Severance Tax**

1. What is the additional tax rate for timber severance tax?

The Act added an additional levy of 2.78 percent to the present rate of 3.22 percent for a total tax of 6 percent. The Timber Severance Tax is levied on the privilege of producing timber.

2. When will the additional tax take effect?

The effective date for the additional tax is after November 30, 2005. Any timber produced, severed and delimbed after this date will also be subject to the new additional severance tax. Timber produced through November 30 will be subject to the 3.22 percent rate on severance value. Timber produced on or after December 1, 2005, will be subject to 6 percent of severance value. (3.22 % regular severance tax and the 2.78% new additional severance tax)

3. Will all of the Timber Severance Tax still go to the Division of Forestry?

The timber severance tax will now be split between the Division of Forestry and the Workers' Compensation Debt Reduction Fund. The Division of Forestry will still get the money from the 3.22 percent levy, and the Workers' Compensation Debt Reduction Fund will receive the money from the additional 2.78 percent levy. The additional tax levied by this act will end and not be collectible on the privilege of producing timber beginning on the first day of the month after the Governor certifies to the Legislature that the revenue bonds issued pursuant to this act have been retired and that the unfunded liability of the old Workers' Compensation Fund has been paid or provided for in its entirety, whichever comes last.

4. Is the \$500 annual tax credit still available to taxpayers?

Yes. The bill did not remove the annual tax credit against regular severance tax liability imposed by W. Va. Code § 11-13A-3b. Prior to November 30, 2005, the tax credit was equal to \$15,528 of production value. There is no annual tax credit against the new additional severance tax liability.

5. Are all of the business expansion tax credits still available?

Yes. A company's business tax credits may still be claimed against its regular severance tax liability, the tax imposed by W. Va. Code § 11-13A-3b. No credits are allowed against the new additional severance tax liability.

6. Did this act change the deposit required of out-of-state companies?

No. They are still required to pay 4 percent of the stumpage value as a deposit before beginning to harvest the timber.