Own a Sawmill?
Know about Arkansas Timber Severance Taxes

ARKANSAS CENTER FOR FOREST BUSINESS
UNIVERSITY OF ARKANSAS AT MONTICELLO

As with any new business, a new sawmill owner has significant paperwork to complete in addition to keeping the new mill operational. There are spreadsheets to keep up with expenses, filing for business licenses with state, county, and/or local officials, and checking to ensure the mill is in compliance with other pertinent rules and regulations just to name a few. One important item that many small mill owners overlook is Timber Severance Taxes. Failure to pay these taxes can result in costly fines and back payments of taxes.

What are Severance Taxes?

Severance taxes are a group of taxes collected on natural resources in a state, such as oil, gas, timber, and other specified extracted natural materials. **Timber Severance taxes are taxes levied on severed wood in Arkansas** and are **paid by the primary processor**. Revenues created from Arkansas Timber Severance Taxes are used to fund the Arkansas Department of Agriculture's Forestry Division and the University of Arkansas at Monticello's College of Forestry, Agriculture, and Natural Resources.

Who Pays Timber Severance Taxes?

The tax is collected, reported, and remitted by each primary processor of Arkansas timber. Primary processor is defined by Arkansas Code §26-28-101(16) as "any person, firm, corporation, or other entity engaged in business as a sawmill, chipper mill, stud mill, square mill, plywood or veneer mill, whole tree chipping mill, post, pole, or piling plant, charcoal plant, processed board mill, bolt working mill, pulp mill, planning or surfacing mill, or other mill or facility **where timber first undergoes any processing after harvesting**."

Exemptions:

Biomass used primarily for the purpose of biofuel production is not subject to severance tax. Biomass in Arkansas Code §26-58-111(10)(b) is defined as "any woody biomass that is grown for use in biofuels and is not grown for the production of timber products". Arkansas Code §26-58-108 states that severance tax does not apply to individuals who occasionally sever natural resources from their own property to be used in construction, repair, or maintenance of their own structures or improvements.

What are Timber Severance Taxes Paid On?

Taxes are paid on all timber processed or acquired for processing whether or not the primary processor collects or withholds tax from the producer (Arkansas Code §26-58-111(7)).

How much are timber severance taxes?

The tax rate is **$0.178 per ton for pine timber and $0.125 per ton for non-pine timber**. If a primary processor is unable to weigh the timber due to lack of an approved weight scale, the processor shall use the following conversion factors to convert other measurements to weight:

How do I pay severance taxes?

Primary processors should **contact the Department of Finance and Administration** to obtain a free permit and begin paying taxes. Failure to obtain a permit may result in a fine(s). Taxes are payable online and are due by the 25th of the month. Processors in good standing for specified periods of time can report on a quarterly or annual basis.

Sawtimber	
Pine	16,000 lbs/MBF Doyle
All other	16,000 lbs/MBF Doyle
Pulpwood	
Pine	5,000 lbs/Cord-128 cubic feet
All other	6,000 lbs/Cord-128 cubic feet
Posts or Poles	
Less than 10' long	30 posts/ton
10'-16' long	15 post/ton

Poles or Piling	16'< long: 40 lineal ft/ton
Cords	
Split	6,000 lbs/cord-128 cubic feet
Veneer	5,000 lbs/cord-128 cubic feet
Handle and Other	6,000 lbs/cord-128 cubic feet
Chemical	6,000 lbs/cord-128 cubic feet
Whole Tree Chips	
Pine	5,000 lbs/cord-128 cubic feet
All other	6,000 lbs/cord-128 cubic feet

Note: This document is not intended as an all-inclusive source of information. Arkansas Code §26-28-101 et seq. addresses Timber Severance Taxes in Arkansas and should be used a primary resource for information. For additional questions, please contact the Department of Finance and Administration-Miscellaneous Tax Section. Call 501.682.7187 or email Misc.tax@dfa.arkansas.gov to set up a timber severance tax account or for any questions.