A Comparison of Taxes Incurred During the Production and Delivery of Hardwood Sawtimber in Kentucky, Maryland, Virginia, and West Virginia

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Abstract: Investment levels in the forestry sector are affected by the tax cost associated with timberland ownership, forestland management, and conversion of timber into saleable products. While taxes are a major source of revenues for state and local governments, they impose a cost on landowners, on industries, and on other players in the wood production chain. Tax structures among states may vary significantly. Local businesses like wood industries may face a different tax burden depending on where they are located. This report examines the tax burden of the wood industry in West Virginia compared to surrounding states. Because of data and time limitations, the analysis is limited to West Virginia and three adjoining states – Kentucky, Maryland, and Virginia. This report specifically focuses on three types of taxes incurred during the production of hardwood sawtimber and its delivery to a processing mill: real property, motor fuel, and yield/severance. Total sawtimber production taxes in Kentucky, Maryland, and Virginia are $8.93, $16.16, and $10.37 per MBF, respectively. By comparison, total sawtimber production taxes in West Virginia were $17.20 / MBF in 2005 and are expected to increase to $21.29 / MBF with the additional “severance” (yield) tax that began in December 2005. With this additional tax, total timber taxes in West Virginia will be about 32% higher than Maryland and more than twice as high as those in Kentucky and Virginia.

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