



STATE BOARD OF EQUALIZATION

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Executive Director

November 2, 1990

Honorable Stan Statham
Assemblyman, 1st District
State Capitol, Room 4098
Sacramento, CA 95814

Dear Assemblyman Statham:

This is in response to our October 16, 1990, letter discussing the concerns of your constituent, Mr. DuBois had written to our Timber Tax Division concerning the tax on his timber sale and was not satisfied with our response. His major concern, and one that you raised as well, is why do we tax timber sales on a harvest value schedule rather than on actual sales price?

When the Timber Yield Tax Laws were enacted in 1976, the basis of the tax was the subject of much discussion. While the actual sales value seems the logical base for calculating taxes, in fact it was believed that in timber sales this was often an elusive figure. A number of factors may enter into the timber sale, the cash received being only one of them. It isn't uncommon for a timber contractor to provide property improvements, roads, bridges, etc. as part of the sales agreement. These are difficult to value without an extensive audit program.

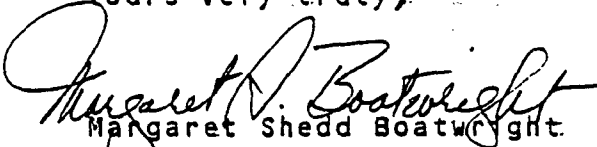
After legislative deliberation, it was decided that the semi-annual establishment of harvest value schedules by the State Board of Equalization would be the most effective and efficient basis for calculating the Timber Yield Tax. The Board staff analyzes recent sales of timber and calculates a harvest value. Consideration is given to age, size, quality, costs of removal, accessibility and market conditions of the timber in deriving the values. The Timber Advisory Committee, which has industry representation, reviews the proposed harvest value schedules and recommends the values to the State Board of Equalization.

In summary, the current Timber Yield Tax Law provides that the Board collect taxes based on a harvest value schedule

rather than the actual sales price. This is a derived average which may be higher or lower than the sales price. Because the Timber Yield Tax rate is so low, the current system has generally been accepted by taxpayers as a reasonable proxy for the actual sales price.

Enclosed for your information is a copy of the California Timber Yield Tax Law. I call your attention to Sections 38109, 38110, 38115, and 38204 of the Revenue and Taxation Code found on pages 4 through 7. I hope this answers your questions and clarifies the letter received by Mr. from the State Board of Equalization.

Yours very truly,


Margaret Shedd Boatwright
Legislative Counsel

MSB:so

Enclosure

cc: Honorable Conway H. Collis
Ms. Cindy Rambo

bc: Mr. John W. Hagerty
Mr. E. L. Sorensen, Jr.
Mr. Paul E. Crebbin
Mr. Stephen Rudd