Historical Tax Law Changes
Severance Tax on Timber

Laws 1982, Chapter 230 repealed the tax on sales of timber products and enacted a severance tax in its place. Under the provisions of the severance tax, timber products were taxed at the time of production, not at the time of sale. All timber produced after 1982 was taxed on the "value of the timber product.≅ The "value of the timber product" was based on its sale price or market value excluding freight. The severance tax was levied on timber products at a rate of 1-1/2%. Unless otherwise provided by law, the tax was administered in the same manner as the Transaction Privilege Tax. As a result, severance tax payments were due on the first day of the second month following the month in which the tax accrued. From January 1, 1983 through June 30, 1983, 40% of the severance tax was distributed in the same manner as the Transaction Privilege Tax (i.e., 25% to the cities, 33.6% to the counties and 41.4% to the state). In subsequent fiscal years, a progressively larger share of the severance tax was distributed in the same manner as the Transaction Privilege Tax. The balance of severance tax collections, after making this distribution, was deposited each year in the state General Fund. (Effective From and After December 31, 1982)

Laws 1983, Chapter 4 changed the due date of the severance tax to the twentieth day of the month following the month in which the tax accrues. Taxes were delinquent if not received by the Department of Revenue on the day preceding the last day of the month in which they were due. (Effective April 1, 1983) The law also changed the interest rate on delinquent tax payments to equal the rate established by Section 6621 of the Internal Revenue Code, compounded annually. (Effective February 11, 1983)

Laws 1985, Chapter 298 changed the distribution of severance tax collections. Tax revenues are distributed as follows:

(1) Eighty percent is designated as "Distribution Base" and is allocated as follows:
  (a) 36.92% to state General Fund
  (b) 38.08% to Counties
  (c) 25.00% to Cities

(2) Twenty percent is deposited into the state General Fund

Laws 1990, 3rd Special Session, Chapter 3 repealed the accounting allowance offered to businesses for costs associated with accounting and reporting the Transaction Privilege and severance taxes. (Effective October 1, 1990)

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and severance tax distribution formula for counties. Collections designated as the Distribution Base by the State Treasurer are divided and shared by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

(1) The proportion that the population of each county bears to the total state population.
(2) The proportion that the Distribution Base monies collected during the calendar month in each county bear to the total Distribution Base monies collected for the calendar month.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to counties to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (Effective From and After June 30, 1994)

Laws 1994, Chapter 314 provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the

Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (Effective July 17, 1994)

Laws 1994, Chapter 346 provided a tax credit for expenses incurred by a taxpayer in accounting and reporting transaction privilege and severance taxes due. The credit is equal to 1% of the amount of the tax due, but may not exceed $10,000 in any calendar year for any taxpayer. Estimated taxes are not considered as a separate reporting period. A taxpayer shall claim the credit for each tax period on forms prescribed and furnished by the Department of Revenue. A claim for credit is not allowed if the taxpayer fails to pay the tax due, plus any estimated tax liability, before payment becomes delinquent. (Effective to Taxable Years Beginning From and After June 30, 1995)

Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs is effective after December 31, 1994. (Effective July 17, 1994)

Laws 1995, Chapter 6 clarified that the accounting allowance credit for transaction privilege and severance tax expenses is not to exceed a total of $10,000 in any calendar year for the combined total of all business premises of a taxpayer. Also clarified that "taxpayer" means the business entity under which the business reports for state income tax purposes or an entity that is exempt from state income taxes. (Retroactive to Taxable Years Beginning From and After June 30, 1995)

Laws 1995, Chapter 182 authorized municipalities with a population less than 50,000 and counties with a population less than 125,000 to submit their July 1995 populations, as approved by the Director of the Department of Economic Security (DES) Population Statistics Unit, for state revenue sharing purposes without having to contract with DES to conduct a sample survey verification. Allowed any city, town or county to submit a request that the 1990 Decennial Census, plus revisions due to annexation certified by the United States Bureau of the Census, continue to be used for the purposes of state revenue sharing, even if a special census has been conducted. (Effective July 13, 1995)

Laws 1995, Chapter 264 changed the severance tax on businesses engaged in timbering to $2.13 per 1,000 board-feet for products derived from ponderosa pine and to $1.51 per 1,000 board-feet derived from all species except ponderosa pine. (Retroactive From and After December 31, 1994)

Changed the definition of timbering by adding all activities ordinarily required under terms of the United States Forest Service Contracts, whether performed by the severer or a contract of the severer. (Retroactive From and After December 31, 1982)