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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

Member
75th Legislative District

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September 16, 2011

MEMORANDUM

TO: All House Members

FROM: Representative Matt Gabler

SUBJECT: Introduction of Legislation – Sales and Use Tax Exclusion for Timber Operations

In the near future, I am planning to introduce legislation that will correct what I believe to be a significant oversight in the drafting of the sales and use tax provisions of the tax reform code. At a recent Farm Bureau tour, it was pointed out to me that while we currently have sales and use tax exclusions for certain segments of our economy, there is no rhyme or reason behind the fact that certain other segments have been left out.

Sales and use tax exclusions allow entities who purchase items that are used or consumed directly in specific operations to be excluded from paying sales and use tax on these items. Examples of the current sales tax exclusion that applies to farming and agricultural operations include tractors, combines, tools, feed, and fertilizers that go directly into the farming operation that allows other items such as crops, meats and dairy items to be produced.

In addition to the aforementioned farming and agricultural exclusions, our tax reform code currently includes exclusions for manufacturing operations and even sawmills. However, no similar exclusion exists for the timber or logging industry, which is a significant employer in our Commonwealth.

I believe that the absence of a logging or timber sales and use tax exclusion is a significant omission in our tax reform code. Many people categorize timber and logging as agricultural industries. In fact, foresters manage forests in a similar way to how farmers manage their fields. The main difference is that trees are a crop that grows over many years, not simply in a single season. While I believe that timber and logging operations should be covered under the current agricultural exception, the Pennsylvania Department of Revenue adopts a different interpretation. Therefore, this legislation is necessary to create a specifically enumerated exclusion. Furthermore, the timber and logging industries produce raw materials upon which many other industries and manufacturing operations are based. It

only makes sense that a similar sales and use tax exclusion should apply to this segment of the economy as well.

My legislation will amend the tax reform code to exclude services or the transfer of tangible personal property including, but not limited to, machinery and equipment and parts therefore and supplies to be used or consumed by the purchaser directly in the operations of timbering when engaged in as a business enterprise from the definition of "sale at retail."

My legislation will give the timber industry the same benefits with regard to Sales and Use Tax that have been given to other agricultural, production, and manufacturing industries throughout the Commonwealth. If you would like to join me in sponsoring this bill, please contact Alex Baldivieso at abaldivi@pahousegop.com or 717-260-6142.