

Preliminary Report Concerning the Impact of Carbon Credit Offset Programs on Timber Tax Revenue

(Pursuant to Laws 2024, 255:1)

Prepared By

**New Hampshire Department of
Revenue Administration**

November 1, 2024





PRELIMINARY REPORT CONCERNING THE IMPACT OF CARBON CREDIT OFFSET PROGRAMS ON TIMBER TAX REVENUE

I. INTRODUCTION

In 2024, the New Hampshire General Court passed, and Governor Sununu signed [HB 1697](#) (Laws 2024, Chapter 255), entitled “AN ACT relative to forest carbon programs.” The bill requires the New Hampshire Department of Revenue Administration (DRA) to conduct a study of the issues related to lost Timber Tax revenue as a result of forest lands located within New Hampshire being enrolled in carbon credit offset programs. It also requires the Division of Forests and Lands (Forests and Lands) of the New Hampshire Department of Natural and Cultural Resources (DNCR) to establish and maintain a public registry of all forest lands enrolled in a carbon program. DRA is directed in HB 1697 to “provide a preliminary report including its findings and recommendations for proposed legislation to the legislature on or before November 1, 2024, and a final report on or before November 1, 2025.”

II. BACKGROUND

A. Timber Tax

The Timber Tax was enacted in 1949 following a 1942 constitutional amendment to permit such a tax “for the purpose of encouraging conservation of the forest resources of the state. . . .” RSA Chapter 79; N.H. Const. pt. 2, art. 5. RSA 79:2 exempts most growing wood and timber from the general property tax, separating tax treatment of timber from tax treatment of the land on which it stands. RSA 79:2. Before the tax was imposed, the value of timber growing upon a parcel of land was included when assessing land value and was subject to the general property tax. By removing the value of timber from the general property tax and instead taxing it when cut, it was believed the new tax would disincentivize the cutting of trees and clearing of land simply to avoid higher property taxes.



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Timber Tax (or Yield Tax) is collected by local tax officials from the timber owner, at the rate of 10% of the stumpage value of the timber cut. RSA 79:3. The tax is subject to exemptions and exceptions: for personal saw logs and fuel wood; for land conversion; for shade and ornamental trees; for Christmas trees, fruit trees, nursery stock, and short rotation tree fiber; for wood harvested for use in maple syrup production; for cutting by federal and state governments, cities, school districts and other political subdivisions; and for clearing or maintenance of rights-of-way where the timber is not sold. RSA 79:1, II(b)(1) - (5) and 79:2. Stumpage value is determined by the local assessing officials, with guidance and recommended valuations compiled and posted by DRA twice per year from surveys completed by local loggers and foresters. RSA 79:1, III; N.H. Admin. R., Rev 3401.01.

Owners are required to file a Notice of Intent to Cut Timber ([Form PA-7](#)) (Intent) estimating the volume of timber to be cut by species. RSA 79:10. Within fifteen days, local officials must review the Intent and barring any filing defects, must sign the Intent, assign an operation number, and return the signed Intent to the owner for posting on the job site so that cutting can begin. *Id.* If, during cutting, volumes exceed estimates by more than 25%, a supplemental Intent must be filed. *Id.* In some circumstances, owners are also required to post a bond prior to cutting. RSA 79:10-a; N.H. Admin. R., Rev 3405.01.

The tax year for Timber Tax runs from April 1 of each year to March 31 of the following year. RSA 79:1, IV. If cutting operations in one tax year will extend into the second quarter of the next tax year, a new Intent must be filed at the beginning of the new tax year. RSA 79:10. If cutting operations will be completed in the first quarter, the owner must notify the assessing officials in writing, but is not required to file a new Intent. RSA 79:10, II.



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Within sixty days of completing cutting operations or by May 15 (whichever is earlier), owners must file a Report of Wood Cut (Form PA-8¹) (Report) with the local assessing officials and DRA indicating the volume of wood and timber cut by species and primary products. RSA 79:11. Cutting operations still in progress on March 31 and anticipated to extend into the second quarter of the following tax year must file a Report by May 15 for wood and timber harvested during the current tax year up to and including March 31. *Id.* Cutting operations still in progress on March 31 that have been properly extended and will end before June 30 must file a Report within sixty days of completing cutting operations or by August 15 (whichever is earlier.) *Id.*

The Timber Tax due is determined by the local assessing officials based upon the Report, within 30 days of its receipt. RSA 79:3. Tax bills are mailed by the local tax collector and payments are due within 30 days of mailing. *Id.* Within 90 days of notice of the tax, owners who disagree with the tax assessed may request an abatement from the municipal assessing officials. RSA 79:8. Owners who fail to file a Report, or who file an inaccurate or incomplete Report will be taxed based upon the volume and stumpage value of their cut as determined by the assessing officials and then doubled, as “doomage.” RSA 79:12.

B. Carbon Credit Offset Programs (CCOPs)

A discussion of forest carbon markets, carbon offsets, and carbon credits is beyond the scope of this study. For basic information on these topics, DRA refers the reader to materials prepared by the North East State Foresters Association for their Securing Northeast Forest Carbon Program which can be found at www.northeastforestcarbon.org. HB 1697 does not specifically define “carbon credit offset programs” but does indicate that the registry to be created by Forests and Lands should list lands that are “enrolled in one or more carbon programs that reflect the

¹ This form is provided to the owner at the time the signed Intent is returned and is not available publicly.



land's capacity to remove and store carbon from the atmosphere” and requires landowners to give notice of “the name of the program, or program registry or registries, under which the subject land is enrolled.” [HB 1697](#) (Laws 2024, Chapter 255). The New Hampshire registry has not yet been completed.

III. HISTORY OF TIMBER TAX REVENUE

DRA compiled Timber Tax revenue data for all counties in New Hampshire from 2011 through 2023 (the most current year available).² The statewide average Timber Tax revenue, as well as year-over-year percentage change in that revenue, is presented in Figure 1 below. The data suggests a general overall growth trend, with 2015 having been an especially good year and revenue in 2020 and 2021 somewhat lower during the pandemic. However, trends were not uniform across all counties, as demonstrated in Figure 2. In 2015, for example, large growth in revenue was experienced in Carroll, Coos, Grafton, Rockingham and Sullivan Counties, resulting in a positive growth year for the state overall, but revenue was essentially flat or even slightly decreased in the other five counties. There does not appear to be a regional pattern among these counties or any other grouping of counties that would result in similar trends from year to year.

Since Timber Tax revenue is a function of both harvest yields and stumpage values, the variation in county trends is not surprising. Yields may be impacted from year to year by market and other factors, including weather and the availability of loggers. Stumpage values also vary from year to year based upon the laws of supply and demand and the costs to convert wood and timber into finished products. Market factors which may impact both yields and stumpage values include trends in the desirability of certain wood species, general economic trends that affect construction

² Data for 2011-2021 is taken from the New Hampshire Public Finance Consortium and can be found at www.NHPFC.org. Data for 2022 and 2023 is as reported by municipalities to DRA and maintained in DRA's Revenue Information Management System (RIMS).

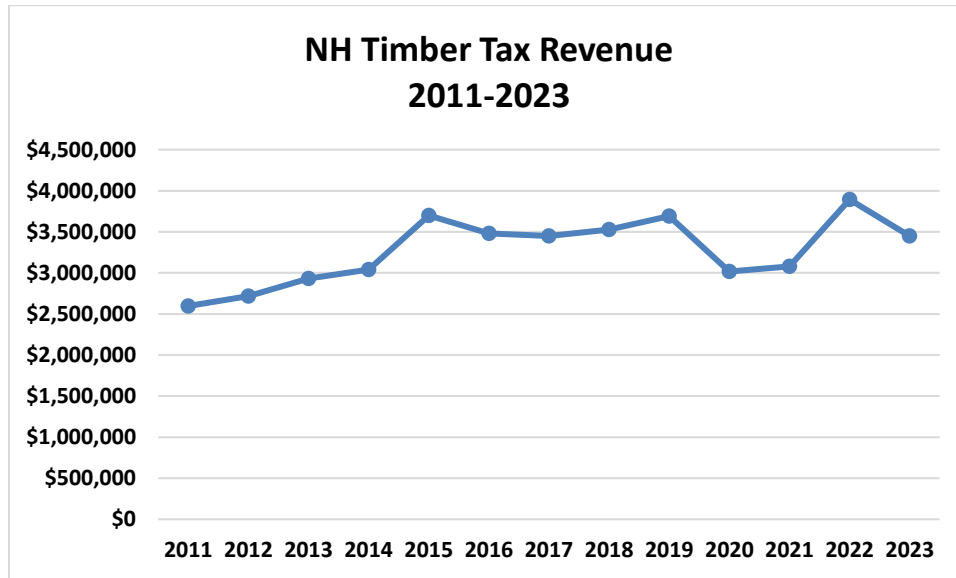


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starts, fuel costs that impact transportation and milling, labor shortages, and even interest rates.

Figure 1. Historical New Hampshire Timber Tax Revenue Statewide



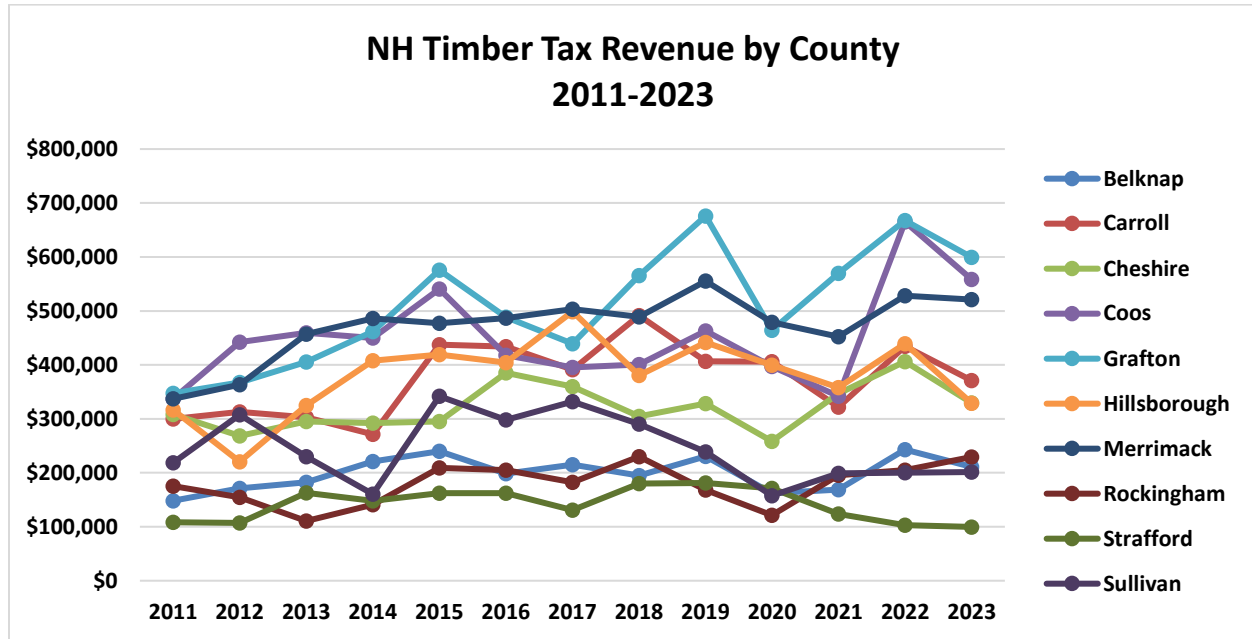
2011	2012	2013	2014	2015	2016	2017
\$2,597,273	\$2,715,087	\$2,930,443	\$3,039,178	\$3,699,846	\$3,480,860	\$3,447,571
	4.54%	7.93%	3.71%	21.74%	-5.92%	-0.96%
2018	2019	2020	2021	2022	2023	
\$3,528,089	\$3,689,436	\$3,016,209	\$3,077,281	\$3,892,226	\$3,449,866	
2.34%	4.57%	-18.25%	2.02%	26.48%	-11.37%	



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Figure 2. Historical New Hampshire Timber Tax Revenue By County



	2011	2012	2013	2014	2015	2016	2017
Belknap	\$148,318	\$170,948	\$182,407	\$221,087	\$240,137	\$198,561	\$214,924
Carroll	\$299,807	\$312,942	\$302,709	\$271,211	\$437,730	\$434,068	\$391,050
Cheshire	\$308,465	\$268,477	\$295,077	\$291,938	\$295,313	\$385,257	\$360,020
Coos	\$337,096	\$442,328	\$459,421	\$450,083	\$540,833	\$418,077	\$395,201
Grafton	\$347,407	\$367,279	\$405,477	\$461,837	\$575,711	\$488,385	\$439,135
Hillsborough	\$316,435	\$220,597	\$324,834	\$407,608	\$418,960	\$404,443	\$498,847
Merrimack	\$337,127	\$363,466	\$457,327	\$485,893	\$477,402	\$486,845	\$503,583
Rockingham	\$175,362	\$154,409	\$110,696	\$140,837	\$209,430	\$204,963	\$182,199
Strafford	\$108,370	\$107,196	\$162,670	\$148,082	\$162,478	\$162,058	\$130,819
Sullivan	\$218,886	\$307,445	\$229,825	\$160,602	\$341,852	\$298,203	\$331,793
	\$2,597,273	\$2,715,087	\$2,930,443	\$3,039,178	\$3,699,846	\$3,480,860	\$3,447,571

	2018	2019	2020	2021	2022	2023
Belknap	\$195,208	\$230,624	\$162,066	\$168,883	\$243,064	\$211,018
Carroll	\$491,491	\$406,589	\$406,015	\$321,913	\$434,577	\$370,881
Cheshire	\$304,790	\$328,177	\$258,464	\$346,636	\$406,312	\$329,471
Coos	\$400,984	\$462,840	\$396,873	\$341,766	\$665,313	\$558,691
Grafton	\$565,602	\$676,033	\$463,961	\$569,567	\$667,601	\$599,182
Hillsborough	\$380,593	\$441,755	\$399,409	\$357,814	\$439,141	\$329,244
Merrimack	\$489,007	\$555,317	\$478,988	\$452,557	\$527,955	\$521,059
Rockingham	\$230,054	\$168,090	\$121,394	\$195,471	\$205,079	\$229,192



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Strafford	\$180,222	\$181,201	\$171,415	\$123,600	\$103,107	\$99,725
Sullivan	\$290,138	\$238,810	\$157,624	\$199,074	\$200,078	\$201,404
	\$3,528,089	\$3,689,436	\$3,016,209	\$3,077,281	\$3,892,226	\$3,449,866

IV. LEGISLATIVE RECOMMENDATIONS

Regarding proposals for legislation, DRA suggests that legislators may wish to focus their attention on RSA 79:5, which currently provides:

Whenever it shall appear to the assessing officials that a town or city is unreasonably deprived of revenue because of the failure of an owner to cut standing wood or timber when it shall have arrived at the degree of maturity most suitable for its use, such standing wood or timber shall be taxed in the same manner as general property and be subject to the same rights of appeal, the intent being to prevent the holding of standing wood or timber indefinitely without the payment of any taxes. If such standing wood or timber is taxed under the provision of this section, such taxes shall be a credit against any yield tax later imposed.

RSA 79:5 (emphasis added). This statute allows for taxation of standing wood and timber in certain circumstances but is almost never utilized by municipalities due, in part, to the difficulty of interpreting the above underlined clauses.

V. FINAL REPORT (Due November 1, 2025)

Assuming the New Hampshire registry is available and provides a detailed list of enrolled projects, DRA will update this study and evaluate whether there is any way to find a direct correlation between enrollment in carbon credit offset programs and Timber Tax revenue. DRA will additionally have available to it another tax year of Timber Tax revenue data to report. The Department will also take into consideration any legislative changes that are made in the 2025 session.