



Guidance for classifying products under the Lumber Assessment

Board of Forestry and Fire
Protection- 2014



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This document is intended to provide guidance and does not have the same effect of the Statutes and Regulations. In any instances of inconsistency between this document and the Statute and Regulations, the Statutes and Regulations are the controlling authority.

I. FINDINGS OF THE LEGISLATURE:

Public Resources Code Section 4629 provides the following legislative findings and declarations in support of the lumber products assessment:

(a) A thriving in-state forest products sector provides public benefits, including employment opportunities in both rural and urban areas, and economic development for rural communities.

(b) Enabling continued economically viable production of forest products can help to protect the state's forest lands from conversion to other uses.

(c) The state's forest practice regulations provide for environmental protection of the state's air, water, habitat, and soil resources.

(d) Consumers of wood products in the state currently do not directly pay for the state's forest practice program and the costs of protecting the state's natural resources.

(e) Current in-state producers of wood products already bear a significant cost of conforming with the state's environmental laws, which economically disadvantages those producers relative to out-of-state production.

(f) Conforming with the state's environmental laws ensures that wildlife, habitat, clean air, forest, and water quality receive some protection.

The Legislature declared its intent in enacting the lumber products assessment portion of AB 1492, as stated in Public Resources Code Section 4629.2. Among other things, it is the Legislature's intent that the lumber products assessment achieves the following objectives:

(b) Ensure continued sustainable funding for the state's forest practice program to protect the state's forest resources, and replace the current piecemeal funding structure with a single funding source.



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(c) Support in-state production of timber within the state's environmental standards, and promote and encourage retention of forests and forested landscapes.

(d) Create a funding source for the restoration of the state's forested lands and promote restoration of fisheries and wildlife habitat and improvement in water quality.



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II. PUBLIC RESOURCES CODE

Under statute, certain items are expressly included in the assessment, while others are not. PRC 4629.5 states:

*“(a) (1) On and after January 1, 2013, there is hereby imposed an assessment on a person who purchases **a lumber product or an engineered wood product** for the storage, use, or other consumption in this state, at the rate of 1 percent of the sales price.”*

PRC 4629.3 then defines lumber product and engineered wood product thusly:

“(3) “Engineered wood product” means a building product, including, but not limited to, veneer-based sheeting material, plywood, laminated veneer lumber (LVL), parallel-laminated veneer (PLV), laminated beams, I-joists, edge-glued material, or composite material such as cellulosic fiberboard, hardboard, decking, particleboard, waferboard, flakeboard, oriented strand board (OSB), or any other panel or composite product where wood is a component part, that is identified in regulations adopted by the board pursuant to Section 4629.4. For purpose of this paragraph, an “engineered wood product” shall only include products that consist of at least 10 percent wood.

(5) “Lumber product” means a product in which wood or wood fiber is a principal component part, including, but not limited to, a solid wood product, or an engineered wood product, that is identified in regulations adopted by the board pursuant to Section 4629.4. “Lumber product” does not include furniture, paper products, indoor flooring products such as hardwood or laminated flooring, bark or cork products, firewood, or other products not typically regarded as lumber products.”



III. SUMMARY OF INTENT

1. The point of origin of the raw material is not considered.
2. This is an assessment at the retail level on Lumber Products, as defined in statute.
3. These products are further defined by Board regulation.
4. It is the intent of the law to assess lumber and items made from lumber.
5. Items not typically regarded as lumber products, but created from primary or secondary products, are known as “tertiary products” and are discussed in Chapter 4.

The statute and the regulation combine to define what products are subject to, or excluded from the assessment. This Guideline elaborates on both regulation and statute to help explain the classification of products. In chapter 2, the guideline makes its first major distinction: products that are lumber or wood fiber based and those whose change in structure transforms them to non-lumber products, such as pulp. In Chapter 4 another major distinction is made: products that require significant craftsmanship or workmanship, and thus become products that are no longer classified as a lumber product subject to the assessment. The act of this labor tends to add value. However, anytime a raw material is handled, sorted, or in any way transformed, costs are incurred and it can be argued to be a value-adding process. It could be argued that converting low-grade, low-value utility logs into pulp is “value-added processing”. Someone else may define the ultimate value-added product as a one of-a-kind piece of artwork that may take an artist weeks or months to produce and sell for thousands of dollars. The intent here is to distinguish between value-added commodity products and higher value wood products (like furniture). The secondary wood using industry primarily utilizes lumber or other semi-finished wood products for the production of higher value products.

Wood Products Classification

Definitions of forest products, primary products, secondary products, and tertiary products can vary as the industry periodically reinvents itself. The term “forest products” is generally used to define roundwood products (veneer logs, sawlogs, pulpwood). However, this definition has continuously broadened as more users derived more uses (tangible and intangible, wood and non-wood) from forests. Today, the definition of forest products is nearly as varied as the people you might ask to define it and would include everything from traditional roundwood products to root wads, and includes floral greenery, mushrooms, botanicals, wildlife, water and recreational opportunities.

In wood product development, the term “primary products” is used to mean sawn lumber products, but has grown to include products such as plywood, particleboard, MDF, OSB,



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etc. Secondary products are generally those products made from primary products (trusses, wood I-beams, flooring, pallets, cut stock, molding blanks, furniture parts, etc.). Tertiary products are those products made from secondary products such as, finished furniture, stair treads, balusters, cabinets, molding, and musical instruments. Whenever a product reaches its final, consumable form it can be considered a finished product. It could reach that finished form at any stage along its development (primary, secondary, or tertiary), depending on the product.

Finished timber products. A debarked log of a given size, cut to a specified length, could be considered a finished product if it is to be used in a log home or, following preservative treatment, as a utility pole. Fence posts are often just merely split and put into use.

Finished primary products. Lumber, especially softwood lumber, cut to specified dimensions, right off the saw, might, in some cases, be considered a finished product. Other primary products which might be considered “finished” include rustic siding, poles, fence boards, decking, timbers, ties, shingles/shakes, or 3-sided house logs.

Finished secondary products. More commonly, lumber undergoes additional (secondary) processing before being used. Green or partially air-dried lumber cut to specified sizes can go directly into products like pallets, shipping containers, crates, etc. Dry lumber can be used in framing (construction). Graded and planed it can be used as components for trusses, laminated beams and wood I-beams. Additional processing can produce products like trim molding, furniture parts, paneling and flooring.

Finished tertiary products. Typical raw material inputs for tertiary products are “unfinished” secondary products like turning squares, turnings, cut-stock and glued panels. These parts or blanks become components for products such as doors and windows, stair treads, balusters, and furniture.

Retail Sales

A retail sale is a sale other than for resale; so normally it is a sale to the end user/consumer. A sale for resale, on the other hand, is a sale to a purchaser who will resell the property (without any intervening use), or who will incorporate/manufacture/produce, etc., the purchase and then resell the incorporated/manufactured/produced item prior to any use (for example, the furniture manufacturer will purchase lumber for resale, manufacture the furniture, and then sell the furniture).



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The law imposes the assessment on the person who purchases lumber or engineered wood products for use in this state and requires the retailer of these products to charge and collect the assessment from the purchaser (end user/consumer) at the time of the sale.

The following sections are intended as classification to distinguish products to be assessed under the Lumber Assessment. It follows the form of a “key”, in that as you move from chapter to chapter, products receive further manufacturing that will define them as either assessable or not.



Chapter 1- Timber Products

1. Timber Products- any material derived from a forest for commercial use, such as lumber, paper, or forage for livestock. Forest Products are of two types: timber and non-timber

1.1. Finished Timber Products- a forest product category that includes sawlogs and pulpwood. They could be considered assessable timber products in certain instances. A debarked log of a given size, cut to a specified length, could be considered an assessable product if it is to be used in a log home or, following preservative treatment, as a utility pole. **See Chapter 2, Finished Primary Lumber Products.**

1.2. Non-timber products-. It includes game animals, fur-bearers, nuts and seeds, berries, mushrooms, oils, foliage, medicinal plants, peat, forage. **These products are not assessed.**



Chapter 2- Finished Primary Lumber Products

2. Lumber Products

2.1. Finished Primary Lumber Products- products include lumber, veneer and plywood, poles, piling, mine timbers, and posts; and composite wood products such as laminated timbers, insulation board, hardboard, and particle board. Other primary products which might be considered assessable include rustic siding, poles, fence boards, decking, timbers, ties, shingles/shakes, 3-sided house logs and so forth. Many of these items can also be classified in Chapter 3, as secondary products.

Items added by regulation, 2012

- a) All grades and dimensions of lumber, surfaced or rough,
- b) Decking,
- c) Fencing (poles, solid board),
- d) Poles,
- e) Roofing (shakes and wooden shingles),
- f) Siding (beveled shingles),

Items added administratively

- g) Load Bottom – made up of falldown 2x4 – 2x12, classified as lumber
- h) Railroad ties
- i) Power poles
- j) Lodgpole pine

2.2. Non-lumber products (fiber)- fiber products are those which develop initially from the various processes for pulping wood. All are intended to separate the cellulose fibers one from another in relatively pure form to be recombined into layers of pulp, paper sheets, or paperboards. **These products are not assessed.**

- a) Paper products
- b) Hardie Cement Fiber Siding



Chapter 3- Finished Secondary Lumber products

3. Finished Secondary Lumber Products- More commonly, lumber undergoes additional (secondary) processing before being used. Green or partially air-dried lumber cut to specified sizes can go directly into products like pallets, shipping containers, crates, etc. Dry lumber can be used in framing (construction). Graded and planed it can be used as components for trusses, laminated beams and wood I-beams. (note: the following types of products, **if sold at retail, are to be assessed**. If not sold at retail, but are intended as a sale to a purchaser who will incorporate/manufacture/produce, etc., then resell the incorporated/manufactured/produced item prior to any use, **go to Chapter 4**).
- 3.1. Lumber products- means a product in which wood or wood fiber is a principal component part, including, but not limited to, a solid wood product, or an engineered wood product that is identified in these regulations.

Items added by regulation, 2012

- a) All grades and dimensions of lumber, surfaced or rough,
- b) Structural panels,
- c) Cross-laminated timbers,
- d) Decking,
- e) Railings,
- f) Fencing (poles, solid board),
- g) Poles,
- h) Roofing (shakes and wooden shingles),
- i) Siding (beveled shingles, board and batten, log, tongue and groove, treated wood),
- j) Sub-flooring.

Items added administratively

- k) Closure strips
- l) Pine Door Jambs
- m) Load Bottom – made up of falldown 2x4 – 2x12, classified as lumber
- n) Recycled/salvaged lumber- if it is resold again at retail (i.e., there has been intervening use and not just held for display)
- o) Fencing and landscaping products
- p) Railroad ties
- q) Power poles



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- r) Lodgpole pine
- s) Peeler poles
- t) Split cedar
- u) Treated round rail
- v) Truck bed decking

3.2. Engineered products- Engineered Wood Product means wood composite products including inorganic-bonded and wood thermoplastic composites. It includes a range of derivative wood products which are manufactured by binding lumber or the strands, particles, fibers, or veneers of wood, in horizontal or longitudinal orientation together with adhesives, to form composite materials, in which wood is a principal component part as defined. This would include laminated counter top materials and finger jointed products also.

3.2.1. Composite products

Items added by statute

- a) Plywood
- b) Oriented strandboard
- c) Particleboard
- d) Fiberboard
- e) Glued-laminated timber
- f) Laminated veneer lumber
- g) Flakeboard
- h) Veneer-based sheeting material
- i) Laminated beams
- j) I-joists
- k) Edge-glued material

Items added by regulation, 2012

- l) Laminated strand lumber
- m) Oriented strand lumber
- n) Parallel strand lumber
- o) Hardboard
- p) Waferboard

Items added administratively

- q) Strong wall



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- r) Shear brace
- s) iLevel Sheer Brace – similar to strong wall
- t) Hardwood veneer sheet
- u) Strand Lumber with a painted finish (e.g. LP Smartside Colorstrand)

3.2.2. Inorganic-bonded and wood thermoplastic composites: these include the following products in which wood or wood fiber is a “principal component part” which means at least ten percent (10%) of the total content by volume.

Items added by regulation, 2012

- a) Gypsum-bonded composite materials (fiber reinforced gypsum),
- b) Cement-bonded composite materials,
- c) Ceramic bonded composite materials,
- d) Wood thermoplastic composite materials including plastic lumber and decking



Chapter 4- Finished Tertiary Lumber Products

4. Tertiary Lumber Products, created from category 3 above- These products typically have significant craftsmanship that adds value to the product through labor. Additional processing can produce products like trim moulding, furniture parts, paneling and flooring. Anytime a raw material is handled, sorted, or in any way transformed, costs are incurred and it can be argued to be a value-adding process. It could be argued that converting low-grade, low-value utility logs into pulp is “value-added processing”. Someone else may define the ultimate value-added product as a one of-a-kind piece of artwork that may take an artist weeks or months to produce and sell for thousands of dollars. In this instance we are looking at “value-created”, as a way of distinguishing between value-added commodity products, which are assessed, and higher value wood products (like furniture) which are not assessed.

- 4.1. "Lumber Product" does not include furniture, paper products, indoor flooring products such as hardwood or laminated flooring, bark or cork products, firewood, or other products not typically regarded as lumber products. (note: highlighted items are specifically in statute). **The products below are not subject to assessment:**

4.1.1. Miscellaneous Items excluded by Statute

- a) Bark or cork products
- b) Firewood

4.1.2. Items of a specific craftsmanship:

Items excluded by Statute

- a) Furniture
- b) Indoor flooring products such as hardwood (solid or engineered) or laminate flooring

Items excluded by regulation 2012

- c) Cabinets
- d) Windows
- e) Window casings
- f) Doors



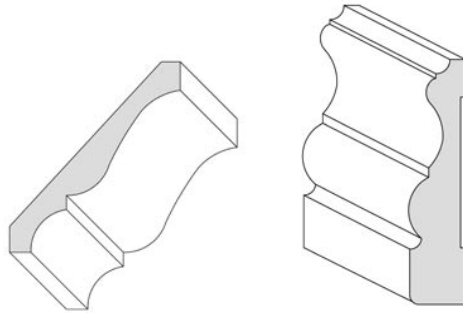
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4.1.3. Decorative products

Items excluded by regulation 2012

- a) Wainscoting
- b) Paneling
- c) Shutters
- d) Blinds,
- e) Molding *
- f) Baseboards *

(* note: these products have added profiling, patterns, chamfering, or other craftsmanship. It does not include lumber products that lack these characteristics)



Example of Profiled pieces



Example of Chamfering

4.1.4. Tools and instruments:

Items excluded by regulation 2012

- a) Musical instruments
- b) Sporting goods and equipment
- c) Signs
- d) Tools
- e) Tool handles
- f) Ladders
- g) Brooms
- h) Frames
- i) Kitchenware
- j) Shims



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Items excluded administratively

- k) Garden stakes (less than 1" x 2" and less than 48" in length, with a sharpened point for placement in the ground)
- l) Pole stake
- m) Survey stakes
- n) Center rod
- o) Wood dowels
- p) Plywood hole covers
- q) Wood hubs
- r) Sawhorses

4.1.5. Hobby and craft items

Items excluded by regulation 2012


- a) Carvings and craft products

Items excluded administratively

- b) Craft kits such as bird house kits
- c) Non-lumber hobby wood
- d) Burls


4.1.6. Pre-assembled, pre-constructed lumber sold in kits or packages- such products are usually precut, predrilled, or manufactured. They may be disassembled for shipment.

Items excluded by regulation 2012

- a) Lattice
- b) Pre-constructed railing section 
- c) Trusses
- d) Pre-fabrication housing (pre-cut buildings, pre-cut or fabricated components of buildings)
- e) Pre-constructed fencing sections



Items excluded administratively

- f) Shed kits
- g) Log cabin kit
- h) Deck Package
- i) Picnic Table Kit
- j) Crane mats 





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k) Double Cross Arms and Braces →



l) Shaft sets and guides →



m) Wall panels/ panelized walls that are pre-assembled offsite



4.1.7. Miscellaneous

Items excluded by regulation

a) Cooperage and treatment materials for wine, beer, and spirits (including staves, storage vessels, and oak chips)

Items excluded administratively

- b) Pallets
- c) Bamboo fencing
- d) Steel Strong Walls
- e) Hardie Frames

