



**Testimony of**

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**Before the Committee on Taxation in Opposition to LD 1338 – An Act To Amend  
the Maine Exclusion Amount in the Estate Tax**

**Thursday, May 17, 2023**

Senator Grohoski, Representative Perry and members of the Joint Standing Committee on Taxation, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is the voice of logging and associated trucking contractors throughout the state of Maine. The PLC was formed in 1995 to represent independent contractors in a rapidly changing forest industry.

As of 2021, logging and trucking contractors in Maine employed over 3,000 people directly and were indirectly responsible for the creation of an additional 2,500 jobs. This employment and the investments that contractors make contributed \$582 million to the state's economy. Our membership, which includes 200 contractor members and an additional 120 associate members, employs more than 75% of the individuals who work in this industry and is also responsible for 80% of Maine's annual timber harvest.

Thank you for providing me the opportunity to testify on behalf of our membership in opposition to LD 1338 – An Act To Amend the Maine Exclusion Amount in the Estate Tax. We certainly understand and respect the intent of the sponsor, but we can't support using changes in the estate tax to do that.

The logging industry in Maine was in the midst of a reinvention process until the onset of COVID 19 and the digester explosion at the Jay mill in April 2020. As a result of mill closures, curtailments and inflation created by the response to COVID 19, we are estimating that Maine has lost 30% of its harvesting capacity and the layoff of nearly 1,000 people in harvesting and hauling since 2020. In just four years, the industry has shrunk from an annual economic impact of \$620 million to \$582 million and total jobs have been reduced from 9,000 to 5,500. Put simply, logging and trucking contractors across the state are fighting for the lives and state policy changes that reduce expenditures and provide efficiencies are those that we are completely in favor of.

LD 1338 is not a pro-small business bill, and it certainly will not help these businesses fight through this challenging time nor will it help retain jobs in rural Maine. In fact, it will only continue to erode small businesses, put further pressure upon rural areas of the state and add the potential for costly litigation which will inevitably lead to business death by a thousand cuts.

For context, on June 15, 2021 and also on June 6, 2019, this Committee voted on party lines to enact LD 1524 (130<sup>th</sup> Legislature) and LD 420 (129<sup>th</sup> Legislature), *An Act to Amend the Maine Exclusion Amount in the Estate Tax*. Both of those bills met a similar fate on the floor of the House and Senate and died a quiet death, pun intended.

The bills from the 129<sup>th</sup> and 130<sup>th</sup> Legislature were identical in that they would have returned the estate tax exclusion amount to \$2 million from \$5.7 million for estates of decedents dying on or after January 1, 2020 and would have removed the annual adjustment for inflation of that exclusion amount. And yes, this legislation, similar to LD 1524 in 2021, would make an exception for natural resource businesses such as farming, fishing and timber harvesting. However, this wasn't a concession that we wanted, asked for, nor agreed to and, in the end, it would still lower the threshold to \$3.8 million from \$5 million. It also wouldn't extend to all of the other components of timber harvesting businesses such as other real property, including but not limited to real estate, trucking, etc. As a result, we still cannot support this legislation.

This bill would place an undue burden on middle class families and small business owners such as our membership. It is essentially a middle-class tax upon our hard-working members.

Maine's estate tax applies to everything a person owns at the time of his or her death including that person's home, other real estate, bank account balances, life insurance proceeds, annuities and other investments, IRAs and other pre-tax retirement savings, and tangible personal property such as jewelry, vehicles, and household items. The combined value of these assets adds up quickly.

Our membership does not have substantial savings, so when the estate of a small business owner is not able to pay an estate tax liability, the family must either sell the business or secure a loan to fund the payment. Removing assets from the estate is the only way to avoid this estate tax, doing so is not an option for many who have their assets tied up in current operations. Furthermore, the fees to hire an estate planning lawyer to remove assets from the estate often can run into tens of thousands of dollars.

Thank you for providing me with the opportunity to appear before you today to testify in opposition to this bill and I would be happy to answer any questions you may have now or during the work session.