

*Re: Mining Excise Tax LD 2251*

*Honorable Members of the Joint Committee on Taxation,*

*Below are some considerations and questions concerning the proposed changes to the Mining Excise Tax.*

*Thank you for your consideration.*

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## Questions about proposed changes in Title 36, Chapter 371 Mining Excise Tax

### **3.5% rate low**

Although 3.5% may be a "mid-range level" for the state revenue that the Revenue Service evaluated, eastern states seem to have higher rates than western states. Maine is low for the more eastern states. Kentucky, which was not part of the study, was 4.5%. WV and AR are part of the study and are both higher at 4% and 5% respectively.

Recently, for mining on federal land the Biden administration proposed a royalty of 6% for existing mines and 8% for new mines. The difference between new and existing mines was in large part due to new infrastructure development costs. It should be noted the State and its municipalities would have to develop new infrastructure over large areas, and could incur great cost.

*What determinants were used to calculate the 3.5% excise tax?*

### **Maine's lack of mining infrastructure – both physical and administrative.**

As opposed to western states that have been mining since, or even before, the seminal federal General Mining Act of 1872, Maine has no infrastructure for mining. In testimony before the taxation Committee, the representative from the Maine Revenue Service stated several times that much is unknown about how mining in Maine would develop.

The towns will be responsible for maintenance and construction of their roads. These roads, bridges, culverts etc will be placed under extreme stress by heavy trucks and industrial equipment 24/7 at all times of year. As a former member of the Select Board, LRAP funds will be totally inadequate to provide roads meeting state standards. Also emergency services, water

consumption and solid and water waste management must be carefully evaluated. Housing and school demands may have to be answered on the local level.

*How will the known externalities of industrial mining, including those mentioned above, be addressed by the excise tax?*

### **Taxation of exploration and advanced exploration**

Exploration and advanced exploration can be very destructive. By the very nature of exploration, product is not produced. Further, exploration does not imply that there will be subsequent successful production. Frequently, the abandoned exploration sites generated significant detrimental impact by disturbance of soil and ground surface or long term contamination of sediment or water bodies.

*How will the fiscal (and environmental) costs of exploration and advanced exploration be handled when there is no taxable product generated?*

### **Local municipalities right to tax**

Critical issues that towns will have to face over long periods of time include emergency services, massive water consumption, toxic wastewater monitoring, processing, mitigation of effects of potential blasting, vibrations, 24/7 lights, noise, large vehicular traffic, soil and air pollution. All these issues will be costly in administrative and fiscal terms.

*Under the proposed changes, will towns maintain their right to tax to recover revenue for services that they must develop and maintain for mining?*

The mining interests repeatedly claim mines could be active for 20 or more years. Although closed in bankruptcy in 1971, for the Callahan mine in Brooksville, Maine still pays approximately 10% of the ongoing superfund site remediation costs through the DOT budget line.

*How will funding and distribution be guaranteed for the life of the mine and post closure monitoring, remediation, and abatement?*

### **Mining Excise Fund mechanics**

*Will the funds have to go through the legislative appropriations mechanism?*

*What if they are not appropriated or the Governor or legislature authorize the funds to be used for another purpose?*

*How will the towns be assured that they are reimbursed for externalities and not end up with essentially a tax being placed on them for unfunded mandates?*

*Will funds be available for use by the towns on a local or regional basis to form and operate a Pollution Control Board?*

**Section 2853 reflect the core importance of mining to the state of Maine**

The current mineral metallic mining law is basically western mining law imported to Maine. However, in contrast Maine is not the sparsely populated and dry desert of the mines in the west. The close proximity of mining to our towns and a humid environment with plentiful water bodies poses a great risk to human health and that of the environment. Currently section 2853 states there should be adherence to existing regulations. It should be unambiguous and directly stated that a goal of mining is to protect and improve the health of the citizens, instead of referring to regulations whose outcome can vary with the vagrancies of enforcement. A firm statement will coincide with the intent to have mining enhance the lives of Maine's citizens. Add to section 2853- Purpose:

*Mining activities must not cause harm to the citizens' health.*