



Testimony of

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Before the Joint Standing Committee on Taxation regarding LD 2044, An Act to Allow for the Transferability of the Biofuel Production and Renewable Chemicals Tax Credits

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Senator Grohoski, Representative Sayre, 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 the Northeast (PLC). The PLC is a regional educational non-profit organization that represents logging and associated trucking contractors throughout the Northeast, predominately in the state of Maine. The PLC also administers the Master Logger Certification Program and a Forest Stewardship Council (FSC) group certification program.

As background, the PLC was created in 1995 to give logging and associated trucking contractors a voice in a rapidly changing forest products 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 over 200 contractor members in the state of Maine and an additional 125 associate members, is responsible for more than 80% of Maine's annual timber harvest.

Thank you for providing me the opportunity to testify on behalf of our membership in support of LD 2044, An Act to Allow for the Transferability of the Biofuel Production and Renewable Chemicals Tax Credits. I would also like to thank Senator Pierce for introducing this bill and recognizing the importance of market creation for the forest products industry. LD 2044 builds on Representative Sayre's bill from last session, LD 1275, An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit and helps provide better opportunities for new markets for wood.

It is no secret Maine is struggling to find new markets for low-grade wood and pulp because demand for paper products has declined. As a result, mill closures or reduced operations, have led to the reduction in utilization of nearly five million tons of low-grade wood (pulp and biomass) since 2012. However, new industries that could use large amounts of low-grade wood are on the horizon but take extensive amounts of capital and time to fully develop and underpriced and reducing income and investment in Maine's rural forestry economy.

LD 2044 would allow industry partners to transfer biofuel production and renewable chemical tax credits to third parties. This flexibility would enable companies such as Biofine, a Maine based company, to invest in much-needed equipment and free up working capital, helping them become fully operational at a much more rapid pace. This is precisely the type of investment Maine needs to remain a leader in the forest products industry. By creating a new market for low-grade wood, this bill could improve pricing for by-products and low-grade materials, strengthen forest management practices, and generate new employment opportunities in local economies.

Like last year, we believe there could be an opportunity to expand on the tax credit in the future. The Committee might consider amending the credit to add a second tier of incentive, which provides a higher value per pound, perhaps \$.10 or \$.12/pound, if the feedstock comes from third party certified forestland. Maine has nine million acres of certified forestland, but there is no real value for anyone in the supply chain as a result of voluntary certification. Landowners and loggers that have a forest management chain of custody certificate might get preference or quota, but no real additional financial value. Mills are not choosing to invest or remain in the state because of certification.

The state of Wisconsin created a current use taxation program for landowners that have certified forestland. This program, which provides a higher tax incentive for landowners with certified land, has created an opportunity for manufacturers in Wisconsin that need certified fiber to locate and expand there. While our recommendation for this bill is not related to current use, it would essentially create a similar incentive. Our members are desperate to see new facilities invest here and this might be a great opportunity to use its assets to do just that.

By adding a second tier without declaring in statute which program could qualify, could provide greater value for certification, but it could also propel investment and provide an impetus for further forest accountability.

Regardless of our point of view on the latter, we hope this Committee takes swift action on LD 2044 as proposed as move swiftly to provide flexibility for the monetization of this tax credit to ensure new markets can move forward as soon as possible.

Thank you for time and consideration and I look forward to answering any questions you may have.