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The voice of Maine's forest economy

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Testimony in Opposition to LD 1648

“An Act to Make Changes to the Farm and Open Space Tax Law in Its Current Form”

May 16, 2023

Patrick Strauch, Executive Director

Good morning Senator Grohoski, Representative Perry, and distinguished members of the Taxation Committee My Name is Patrick Strauch I live in Exeter Maine, and I am the Executive Director of the Maine Forest Products Council I represent over 300 companies involved in forest products and over 8 million acres of commercial Forestland

I am speaking **against this bill** in its current form, but I understand the intent in building a more effective open space land taxation program I believe the genesis of this effort comes from recommendations from the Governor's Climate Change Council, of which I was an appointed member In the Natural and Working Lands Group, recommendation #2 states

b *Address land taxation policy through legislation introduced by the Governor to*

i *Update the Open Space Current Use Taxation Program in a manner that incentivizes climate-friendly land management practices, makes it more attractive to woodland owners, and enables landowners to move between Tree Growth and Open Space as land management objectives change*

Although this is not a governor's bill, I appreciate the work done by the assembled stakeholder group, but the MFPC has issues with what I would call a good first draft

Section 1 Carbon Conservation Management Plan This plan replaces the forest management plan option We believe the goal should be to have one option that specifically includes forest management in the hope of creating a forest stewardship ethic that would eventually encourage reclassification in the tree growth taxation program – a feeder system if you will

Replacing the forest management plan with a carbon plan creates the same dilemma in LD 1135¹ where a carbon plan can take on many forms and result in decreased to nonexistent harvest levels “*the plan must describe strategies to be used to increase carbon storage or improve carbon conservation*” This wording could imply delaying harvests or excluding harvests without supporting the forest economy and affected rural communities I think a solution would be to establish carbon practices that are silvicultural sound and encourage their use in a forest management plan - “*Incentivizes climate-friendly land management practices*”

¹ LD 1135 An Act to Ensure Carbon Credits Can Be Sold On Forest Land Enrolled in the Maine Tree Growth Tax Law

Section 4. §1106-B Valuation of Open Space

1. **Open space valuation determined.** Although the new valuation methodology may work, it needs to be tested with a variety of scenarios. From the Council perspective there should be a gradient of tax rates with TG providing a better tax incentive than the open space taxation program. The greater the penalty and commitment to the forest economy and public, the greater the incentive for the landowner. Building a proforma to evaluate the cost differential among various scenarios will be an important exercise to balance current use taxation policies.
2. **Additional reduction.** With the exception of the Carbon Conservation Management provision, the new categories of **Public Access, Permanently Protected Open Space and Open Space with Wildlife Habitat** categories are a good change.
4. **Municipal Reimbursement** This will be a challenging concept with an anticipated high fiscal note.

Section 6. § 1114 Application. The Council believes that the 15,000-acre cap should not be removed. Removal of the cap could seriously disrupt Tree Growth enrollment in the unorganized territory. I understand TNC desire to enter a taxation program instead of participating in a payment in lieu of taxes status, but we think the open space program would be disrupted with the including of large landowners from the unorganized territory into the program. We are open to discussing other alternative approaches.

SUMMARY:

MFPC supports revisions to the Open Space Taxation program, but we recommend proceeding in a manner that includes a holistic approach that guides land current use taxation policy towards a variety of public goals. Within the Open Space program, we need to maintain the forest management plan option and not confuse it with a carbon plan. Building a program that balances the tax incentives through a careful financial evaluation is imperative. Maintaining the 15,000 acres cap on the program is important and focuses incentives on the smaller landowner community.

We are interested in working with a broad stakeholder group to continue designing a modern Open Space Taxation program.

Thank you, Patrick Strauch