



Testimony of

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Before the Committee on Taxation in Support of LD 1648 – An Act To Make Changes to the Farm and Open Space Tax Law

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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 general support of LD 1648 – An Act To Make Changes to the Farm and Open Space Tax Law. We are in agreement with most of the changes that the sponsor has recommended, but before this bill goes forward, we would like to see a few revisions made to align the bill with the recommendations of the Governor's Forest Carbon Task Force to ensure consistency.

As a member of the Governor's Task Force on the Creation of a Forest Carbon Program, which was created by Executive Order in January 2021 and submitted its final report on October 21, 2021, the taskforce discussed and made recommendations for changes to the Farm and Open Space Current Use Taxation Program as a pathway to increasing carbon sequestration in Maine's forests. I have attached the recommendations specific to the Open Space Current Use Taxation Program to my testimony.

I would like to highlight a couple of areas of concern that should be amended before this bill goes forward.

First, in Section 1106-B, there is a recommendation for a 25% reduction in the open space valuation if a property is "permanently protected." It is not clear what "permanently protected" means as there is no definition of "permanently protected" in the bill. Our recommendation

would be to amend the bill to included “ecological reserves as permanently protected” and keep the discount at 20%

Second, the Forest Carbon Task Force recommended a 20% discount for Section 1106-C and D However, the bill language calls for a 25% reduction We believe that the two should align and 25% is too aggressive

Lastly, as you will note in the recommendations of the Task Force, for landowners with a carbon conservation management plan, there is differentiation between forest and non-forested land Forested land also needed to be 70% forested As written, the bill does not differentiate between forested and non-forested land and there is no requirement for a minimum percentage of forested property Our recommendation would be to include the recommendations of our Task Force in the bill to ensure consistency from a broad stakeholder group

Thank you for the opportunity to speak before you today and I look forward to answering any questions you may have

**Governor's Task Force
on the
Creation of a Forest Carbon Program**

Final Report

October 29, 2021

6. Recommend updates to the Open Space Current Use Taxation program including in a manner that incentivizes climate-friendly land management practices

The recommendations in this section represent the aspirations of the Task Force, which acknowledges that further dialogue with municipalities and other interests will be required to finalize a legislative approach

Task Force members have prepared initial concepts for revision of the Open Space Current Use Tax program, and gathered initial feedback from representatives of Maine Revenue Services and the Maine Municipal Association. It then sought broader feedback on a draft during the public comment period. This section is not an attempt to provide complete or final language for update and revision of the program, but instead focuses on key program elements.

Priority Concepts

The Open Space program should be streamlined, with an added emphasis on climate benefit.

The Open Space program should contribute to maintaining forestland and reducing forestland loss in the state. It is an important but underutilized option among Maine's current use tax programs.

The Open Space Program should be made more efficient to increase value to the public, attract more landowner participation, and be easier to administer by municipalities, with reduced financial burden.

The Open Space program should accommodate a wide range of potential land management practices, from intensive silviculture and production of forest products to development of old forest and maximizing carbon storage.

The Open Space program should not create a fiscal burden for municipal budgets and will require state reimbursement (noting complexity in that municipalities may benefit from reduced costs of providing services when lands remain undeveloped and from increased revenue sharing as a result of reduced valuation).

Potential Program Revisions

A Provide state reimbursement to municipalities to reduce financial burden on municipalities, in acknowledgement of the broad public benefit of maintaining undeveloped lands (Reimbursement could be based on the same formula used for state reimbursement under the Tree Growth Current Use Tax program or could use the tax rates for undeveloped acreage used by individual municipalities.)

B Revise Open Space Program valuation reductions to

Increase the discount for "Ordinary" Open Space (which precludes development) in order to encourage greater participation in the Open Space program and emphasize its core

value of helping to keep land undeveloped (The Task Force recommended an increase to 50% from the current 20%)

Maintain the current discount of 25% for Public Access

Create two new categories

Wildlife Habitat Management Consider a 20% discount for implementation of a wildlife enhancement practice (Practices to be approved by the Maine Department of Inland Fisheries and Wildlife in alignment with the State Wildlife Action Plan or with mapped Beginning with Habitat features, with landowner attestation of practice implementation)

AND

Carbon Management Consider a 20% discount, with eligibility based on the following concepts

Forested land (properties with 10 or more forested acres and greater than 70% forested) may qualify with any of the following options Any qualifying property would automatically be considered to provide a public benefit and be eligible for enrollment in the Open Space program

Adoption of a 10-year forest management plan signed by a licensed forester that includes strategies to increase forest carbon and considers carbon stored in forest products (This is essentially the same requirement for the Tree Growth current use program eligibility, but the plan here can prioritize forest carbon)

Implementation of a forest carbon practice approved by the Maine Forest Service, qualifying for the Carbon Management reduction for 10 years, with landowner attestation of practice implementation (This option is intended to facilitate greater participation by owners of smaller properties)

Properties with permanent ecological reserve restrictions shall qualify for the carbon management discount (The recommended 20% discount is the same discount available in the current program, and ecological reserves have demonstrated benefits for carbon storage)

Non-forested land (properties not qualifying as Forested Land, above) may qualify for 10 years based on implementation of carbon management practices approved by the Maine Department of Agriculture, Conservation, & Forestry, with landowner attestation of practice implementation (Owners of non-forested lands may also have the option to 1) choose the wildlife habitat management option, or 2) if eligible, participate in the Farmland Current Use program)

- Maintain the current maximum discount of 95% (note that for forested acres, the current program limits the reduction to be no greater than that available through the Tree Growth Current Use program)

C Streamline program to rely on % reductions and eliminate the alternative approach of individual discretionary assessment based on assumed impacts of enrollment on valuation (This is intended to provide greater clarity and certainty for landowners interested in enrolling in the program, and to reduce complexity for assessors and municipalities)

D Allow any landowner to transfer their property from Tree Growth to Open Space without penalty for properties in Tree Growth prior to 2021