



## **Testimony of**

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**Before the Joint Standing Committee on Taxation regarding LD 2279, An Act to Promote Equity in the Forest Products Industry by Allowing Commercial Wood Haulers to Be Eligible for Certain Sales Tax Exemptions and Refunds**

**Wednesday, March 27, 2024**

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 the Northeast (PLC). The PLC is a trade association that represents logging and associated trucking contractors throughout the Northeast, predominately in the state of Maine. 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 200 contractor members and an additional 120 associate members, employs more than 75% of the individuals who work in Maine's logging industry and is also responsible for 80% of Maine's annual timber harvest.

Thank you for providing me with the opportunity to testify on behalf of our membership in qualified support of LD 2279, An Act to Promote Equity in the Forest Products Industry by Allowing Commercial Wood Haulers to Be Eligible for Certain Sales Tax Exemptions and Refunds. While we are supportive of what Senator Jackson has introduced, before it moves forward, we would like to see the changes made in Section 4 and Section 5 of the bill removed.

The trials and tribulations of the forest products industry have been a common theme in Maine over the past twenty years, where most of that attention has been focused upon pulp and paper. This period of time has felt like a revolving door at the base of a New York City skyscraper as we have seen the departures of Great Northern Paper, St. Regis, Champion, International Paper, Fraser, Domtar, Mead Westvaco, Old Town Fuel and Fiber, Lincoln Pulp and Tissue, Verso Bucksport, Madison Paper, Pixelle, ND Paper Old Town. Despite the constant change, one thing has held true, forest products are still a strong part of our past, our present and our future.

The logging industry in Maine was in the midst of a reinvention process until the onset of COVID 19, the digester explosion at the Jay mill and the closure of ND Paper Old Town. 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 their lives and state policy changes that reduce expenditures and provide efficiencies are those that we are completely in favor of.

Since 2014, the federal government has mandated all new logging and trucking equipment manufactured in the United States must meet the new Tier IV (zero emissions) specifications. This has lowered diesel emissions by 95% as compared to 1990 levels, but it has increased the cost of all new equipment and trucks by 80%. In 2014, a heavy-duty tractor was \$125,000. Today, a new heavy-duty tractor is \$225,000 and that does not include a trailer hauling logs or chips. State and federal sales taxes have essentially doubled as a result of this price escalation, and I can assure you that the cost paid for wood has not increased to accommodate the increased cost of investment.

Just for background, the Federal Excise Tax is an additional 12% sales tax imposed on the first retail sale of a truck, trailer, and semitrailer chassis and body. The funds derived from the FET are deposited in the federal Highway Trust Fund (HTF). The 12% FET tax is a deterrent to new vehicle sales and is levied on top of Maine's sales tax of 5.5%.

At the state level here in Maine, the story is much the same. The sales tax, even though it is a fixed percentage, increases in total as the sale price of the tractor and trailer increase. Simply put, hauling contractors are in rough shape and a sales tax exemption would be a huge boost for their businesses right now.

This issue is also about parity. Current state law exempts the purchase of tractors and trailers that are used in interstate commerce. From our point of view, businesses that operate in interstate commerce shouldn't have an advantage over those that don't. Intrastate haulers should have the same incentive so that they can compete, regardless of how far they travel or what border the cross.

The PLC was instrumental in getting the original sales tax exemption for wood harvesting equipment put in statute in 2011 as part of the omnibus budget bill that was passed that summer, with the assistance of Senator Jackson and then Governor LePage. The exemption, which put timber harvesters on par with farmers and fisherman, took effect in FY 2013. This tax exemption has been a gamechanger for timber harvesting businesses, regardless of size, throughout the state and has worked quite well, without amendment for the past 12 years. While we are supportive of Senator Jackson's intent to expand the exemption to include wood fiber trucking equipment, we do not want to see the current program changed as there is no justification for it.

We understand, respect and agree with the Senator's position on ensuring tax incentives are not passed along to those who don't incorporate their businesses in Maine. However, we do not believe that the language included in Section 4 or 5 will do anything to influence whether Canadians or those from other states come into Maine and set up a business.

If a business is incorporated in the state, they must follow all of the same laws that all other businesses must follow, including paying unemployment insurance taxes. Adding this provision to this bill will not change that and it will actually do more harm than good. In fact, sole proprietors in the state for both timber harvesting and hauling will actually be precluded from qualification for this tax incentive as a result of the language included in Section 4 and 5 and we don't believe that is something the Senator wants to do, as he and many members of this Committee have many sole proprietors from timber harvesting and hauling that would be precluded. In our opinion, the law has been operating efficiently for 12 years and while we believe it should be expanded, the criteria for qualification should remain the same.

The logging and trucking industry is suffering today to remain profitable and supply our mills with the wood they need. Right now, loggers and truckers are at risk because of escalating operating costs that are involved with running this kind of business. If the forest products industry is going to continue to thrive into the future, the state of Maine should be doing all it can to create a competitive platform. From our point of view, the idea established in this bill, if amended, will not only incentivize further investment in the industry, but it will also have a positive environmental impact as well.

Thank you for your service to the state of Maine and I encourage you to vote in support as amended.