



## **Testimony of**

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**Before the Joint Standing Committee on Housing and Economic  
Development to LD 195, An Act to Create a Small Business Capital Savings  
Account Program**

**Wednesday, February 5, 2025**

Senator Curry, Representative Gere and members of the Committee on Housing and Economic Development, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of the Northeast.

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 195, An Act to Create the Small Business Capital Savings Account Program. We would like to thank Senator Stewart for his continued support of this bill on behalf of the small business community in Maine's heritage industries of farming, fishing and forestry. Additionally, we would like to thank the other organizations and individuals showing their support for this bill, including the Maine Farm Bureau and Maine Coast Fishermen's Association.

One of the greatest disincentives for small business growth in the logging industry is the inability to plan and save for future investment from year to year. If a business has a positive year and yields a profit, that business must either claim the income and pay corporate income tax on it or they must reinvest the income back into the business by purchasing equipment, material, etc. even if they don't need to. The current system as it

stands does not provide an opportunity for savings or appropriate long-term planning and puts small businesses at risk from year to year.

Similar to the theory of retirement planning for individuals, small businesses should also be afforded this same type of opportunity so that they can be encouraged to save and reinvest when the time is right, rather than when they don't need to. The past year is a great example of this dichotomy. A small business may have a good year in 2024 but could operate at a loss in 2025. To help smooth out the highs and lows, small businesses should be encouraged and allowed to save so that they can reinvest in their businesses at the appropriate time without penalty or tax hardship.

We see LD 195 as a very well-intentioned piece of legislation which can pilot test the idea to see if it has merit in a broader context. With LD 195, small businesses in timber harvesting, farming and fishing will be given the opportunity to create an income capturing mechanism, similar to those retirement facilities that have been created for individuals, i.e. 401(k), 403(b) or other, that have been authorized to encourage savings for the future. The small business can capture their income, up to a reasonable amount of \$250,000, and save it for a time in the future without paying income tax on it at the end of the year in which it was deposited. In the case of this pilot program, the opportunity will be tested between 2026 and 2029. This type of savings plan will encourage reinvestment in capital equipment at appropriate times, rather than at the end of the tax year.

It would provide the opportunity for businesses to shield their income from tax at the time of earning but promote savings to be used at a more appropriate time in the future. For example, when small businesses are facing their valley of death because of market changes or other, this will allow that business to right size their operation or implement a change of direction. This could be an opportunity for small businesses to succeed rather than succumbing to recent downturns which are so consistent in the world of small business.

Lastly, the state will also benefit from this type of a program because it will capture more revenue in the long run from businesses that are able to stay solvent. It is hard to find a downside for this type of a program and it could be precedent setting for the small business community in Maine and across the country. This type of small business savings plan could be a win-win for the small business community in the state of Maine and for state government. However, we won't know that for sure unless it can be tested.

Thank you for the opportunity to provide the opinion of our membership before you today. We have some of our members here today and I encourage you take their stories into consideration when making a decision on LD 195. I would be happy to answer any questions you may have.