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Testimony by Representative Daniel Sayre

In Support of L.D. 1275

An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit

April 9, 2025

Joint Standing Committee on Taxation

Friends and colleagues, Senator Grohoski, Representative Cloutier, and Distinguished Members of the Joint Standing Committee on Taxation:

I represent House District 135, the greater part of Kennebunk. I am here to present LD 1275, "An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit."

To summarize this bill in one sentence: this bill will make a tax incentive passed in 2019 more effective by removing a provision that has hindered its adoption.

To elaborate: on March 18, 2019, Governor Mills signed a bill establishing a tax credit for renewable chemical production that provides an 8 cent per pound tax credit for eligible products beginning on Jan. 1, 2021. This credit remains in force, but it has been underutilized.

The credit applies to chemicals produced from renewable biomass via a biological conversion, thermal conversion or combination of the two technologies. The resulting renewable chemical must be sold or used for the production of chemical products, polymers, plastics, or formulated products. Eligible products must have at least 95 percent biobased content and cannot be sold or used for the production of food, feed, or fuel. Exceptions are allowed for cellulosic sugars used to produce aquaculture feed and food additives, supplements, vitamins, nutraceuticals or pharmaceuticals that do not provide caloric value and are not considered food or feed. Under the bill, taxpayers who produce eligible renewable chemicals can claim a credit of 8 cents per pound of renewable chemicals produced.

The credit had – and has – three important goals:

- attract new industries and create new jobs by using a plentiful resource in new ways.
- Fight climate change by producing chemicals from renewable feedstocks rather than fossil fuels
- Restore jobs to rural Maine where legacy industry jobs have been lost.

Unfortunately, the bill as passed in 2019 contained a provision that has prevented it from operating as intended. It requires applicants to demonstrate to the Department of Economic and Community Development that at least 75 percent of the employees of the contractors hired or retained to harvest renewable biomass used in the production of the products meet eligibility conditions specified in the Employment Security Law.

The companies that might apply for this credit cannot meet this requirement. They lack the ability to enforce this restriction on their contractors or even obtain the necessary documentation to ensure their contractors comply. What seemed beneficial in theory has simply proven unworkable in practice.

This bill removes this obstacle so that the goals of the original bill can be achieved.

I will be happy to answer any questions you have at this time.