



Testimony of

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Before the Joint Standing Committee on Taxation regarding LD 1275, An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit

Wednesday, April 9, 2025

Senator Grohoski, Representative Cloutier, 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 regional educational non-profit organization that represents logging and associated trucking contractors throughout the Northeast, predominately in the state of Maine. The PLC also administers the Master Logger Certification Program and a Forest Stewardship Council (FSC) group certification program.

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 1275, An Act to Promote the Production of Natural Resources Bioproducts by Amending the Renewable Chemicals Tax Credit. I would also like to thank Representative Sayre for introducing this bill and recognizing the importance of market creation for the forest products industry.

In 2020, the Legislature passed LD 1698 – An Act to Create Jobs and Slow Climate Change by Promoting the Production of Natural Resources Bioproducts. This legislation created the Renewable Chemicals Tax Credit, which is now codified in Maine statute, Title 36, Section 5219 – XX.

At that time, and still today, the PLC opposed the final version of the bill because it included language, the same language that Representative Sayre has asked to be removed from statute, which effectively states that for a manufacturer to qualify, it must demonstrate that 75% of the employees of the contractors hired to harvest biomass must pay Unemployment Insurance Tax

and also provide documentation in support of this. We were adamant then that this was an unfunded mandate on logging companies and would deter investment.

As predicted, not one renewable chemicals manufacturer has invested in the state nor produced one gallon of renewable chemicals that qualifies for this tax credit. Representative Sayre's bill will remove this controversial section of statute and provide clarity and certainty for manufacturers to begin taking advantage of the tax credit.

Why was the PLC so opposed to LD 1698 in 2020? Simply put, if manufacturers were to take advantage of it as written, it would provide a financial burden to every logging contractor in Maine: 1) the contractor will now have to provide documentation without compensation for their time and effort; 2) a manufacturer will receive a subsidy on the backs of logging contractors with no benefit to the contractor; and 3) family based businesses will now have to pay additional unemployment tax in a pay to play scheme. Company owners cannot receive unemployment benefits by law, but they would be forced to pay the tax if manufacturers did take advantage of this credit. Fortunately, manufacturers did recognize that this was a backdoor policy and have chosen never to invest in the state. We believe that Representative Sayre's legislation will correct this issue and provide a clear runway for new markets to invest.

We would also recommend to this Committee that they might consider amending the bill to add a second tier of incentive, which provides a higher value per pound, perhaps \$.10 or \$.12/pound, if the feedstock comes from third party certified forestland. Maine has nine million acres of certified forestland, but there is no real value for anyone in the supply chain as a result of voluntary certification. Landowners and loggers that have a forest management chain of custody certificate might get preference or quota, but no real additional financial value. Mills are not choosing to invest or remain in the state because of certification.

The state of Wisconsin created a current use taxation program for landowners that have certified forestland. This program, which provides a higher tax incentive for landowners with certified land, has created an opportunity for manufacturers in Wisconsin that need certified fiber to locate and expand there. While our recommendation for this bill is not related to current use, it would essentially create a similar incentive. Our members are desperate to see new facilities invest here and this might be a great opportunity to use its assets to do just that.

We believe strongly in the free market and that the changes recommended by Representative Sayre will help propel development. We also feel that adding a second tier without declaring in statute which program could qualify, could provide greater value for certification, but it could also propel investment and provide an impetus for further forest accountability.

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