

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *April 9, 2025, Wednesday at 1:00 P.M.*

LD 1313 – *“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”*

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Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 1313, *“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.”*

The Maine Sales and Use Tax Law in Title 36, § 2013 provides a refund and exemption for sales of electricity, fuel, and depreciable machinery and equipment used directly and primarily in commercial agricultural production, aquacultural production, fishing, or wood harvesting. This bill would broaden that exemption by amending the definition in § 2013 for “commercial wood harvesting” to include the hauling of forest products, and amending the definition of “depreciable machinery and equipment” to include certain vehicles used in those activities.

The approach taken by LD 1313 is inconsistent with the provision’s purpose—it would carve out a unique exemption for wood harvesting transportation equipment, creating incongruity with the sales tax treatment in that provision for commercial agricultural production, aquacultural production, and

fishing. First, as currently defined in § 2013, exempt “machinery and equipment” excludes motor vehicles and trailers. LD 1313 would change that, but only for one of these natural resource sectors. Second, this bill departs from longstanding differentiation of what is – and what is not – considered “use directly and primarily” in the commercial activities in these four natural resource commercial production sectors under § 2013, and in some respects also with the Title 36, § 1760 manufacturing exemption for machinery and equipment, which is limited to items *directly* used in production. This change is both contrary to the grouping of the four sectors for similar sales tax treatment in § 2013, and it creates new uncertainty as to the scope of the other provisions within § 2013. Further, it should be noted that LD 1313 uses terminology inconsistent with parallel definitions in Title 12, defining “timber harvesting.”

The bill should also clarify what activity is intended by adding “hauling” of trees to the definition of “commercial wood harvesting.” This same issue was raised with respect to a similar prior bill in the 131<sup>st</sup> Legislature (LD 2279 as amended; not enacted into law) which defined “hauling” as “the transportation of forest products from the forest land where the forest products were harvested to their initial destination involving production or use.” It’s important to note that concerns were identified at the time as to whether the phrase “initial destination involving *production or use*” was too broad and could potentially allow the exemption of vehicles used to haul forest products from its harvest point directly to a customer.

At a more technical level, LD 1313 provides definitions by reference to Title 29-A for the terms “trailer” and “truck,” which are already defined in Title 36, § 1752. Overlapping or conflicting terms would add complexity. Lastly, if this expansion is intended not to similarly apply to other commercial natural resource

production sectors, the proposal should instead be enacted as a separate, narrowly drafted exemption under Title 36, § 1760.

To conclude, this bill creates an expanded, complicated, and uneven exemption for “commercial wood harvesting” activity in comparison with the three other commercial natural resource business sectors addressed in § 2013. If the scope of § 2013 is to be broadened, the change should apply equally to all natural resource sectors eligible for the sales tax exemption under current law. The TAX Committee receives several bills on this topic every session and a more comprehensive review of the current statute is required.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.