Testimony of

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Before the Joint Standing Committee on Taxation regarding LD 1617, An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses

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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 non-profit organization that educates the public on the role and benefits of professional logging and trucking throughout the Northeast, predominately in the state of Maine.

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 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 opposition to LD 1617, An Act to Lower the Exclusion Amount for the Estate Tax and Create an Exclusion for Family Farms and Aquaculture, Fishing and Wood Harvesting Businesses. For perspective, this legislation has been introduced in each of the last seven legislative sessions and has been voted down consistently. While it is frustrating that we must spend time debating the merits of this policy every two years, we hope that this legislation will be met with the same resistance and outcome as the prior seven occasions.

LD 1617, lowers the exclusion amount, below which the Maine estate tax does not apply, to $1 million from the $5.6 in current law and creates an additional exclusion amount from the estate tax for family farms, aquaculture, fishing and wood harvesting businesses of up to $3.8 million.

While we appreciate that the bill includes an additional exclusion for family-owned logging operations, the reality is that this bill is nothing that our industry has asked for and will undoubtedly take advantage of mulit-generational family based businesses during a time when they are already struggling.

As you know, the forest products industry has a long and proud heritage in Maine and remains a significant economic driver in the state's economy. However, over the last decade, the industry has gone through significant change. Since 2020, we have lost about 40% of the logging capacity across the state, due to mill closures and market retraction as a result of high interest rates. Additionally, inflation on equipment, parts, wages and labor over the last five years has been upwards of 40%. And currently, with the added tariff threats, contractors are also now reporting that they are experiencing further inflation on fuel and equipment in the range of an additional 25%. Logging and trucking companies are struggling to survive on razor thin margins and are questioning the economic viability of their businesses.

This bill would place an undue burden on the middle-class families and small business owners that make up the majority of our membership who are likely succession planning and trying to determine if they could afford to pass their businesses along to a family member when they pass away. However, with changes that are proposed in this bill, it would make Maine an outlier, creating inconsistency with federal tax law, and likely forcing them to sell their business, rather than passing it along to the next generation. This is essentially a middle-class death tax placed upon our hard-working members at what could be a solemn moment for their families.

Maine's estate tax applies to everything a person owns at the time of his or her death including that person's home, other real estate, bank account balances, life insurance proceeds, annuities, investments, IRAs, pre-tax retirement savings, and tangible personal property such that which is owned by a business. The combined value of these assets adds up quickly.

With logging companies, they might own four or five trucks and/or pieces of logging equipment, that would quickly put them above the exclusion amount if it were to be changed, not even counting other assets. Under current law, a $5.6 million exclusion provides some relief for generational logging companies that own and operate valuable equipment. The current exclusion amount is also consistent with federal law.

It is important to note, our membership does not have substantial savings, so when the estate of a small business owner is not able to pay an estate tax liability, the family must either sell the business, equipment or secure a loan to fund the tax payment. To us, this is an unfathomable choice that puts many at risk.

Losing a loved one is extremely hard for anyone and this policy seeks to take advantage of vulnerable Mainers at one of the most difficult times in their lives. I respectfully urge you to vote "ought not to pass" on LD 1617.