



Testimony of

DANA A. DORAN
Executive Director

Professional Logging Contractors of the Northeast

Before the Joint Standing Committee on Taxation regarding LD 1879, An Act to Support Maine's Agricultural Economy by Increasing Revenue from the Corporate Income Tax and Providing Property Tax Exemptions

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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 1879, An Act to Support Maine's Agricultural Economy by Increasing Revenue from the Corporate Income Tax and Providing Property Tax Exemptions. While we appreciate the sponsor's intent to find funding mechanisms for the agriculture community, this bill does more harm than good to the logging industry.

To be direct, adding an additional 1.07% to the corporate income tax rate for logging businesses with at least \$3.5 million in gross income could put many of our members out of business. These are also the heritage-based agricultural businesses that would be subject to the tax but none of the benefits. To us, this appears to be a scheme that is literally using Peter to pay Paul.

Many on this committee would be surprised to know that the logging industry is a cash flow heavy business with very little profit. Logging businesses do not get paid for anything they do until wood crosses a scale and it doesn't take long to accumulate \$3.5 million in gross receipts.

Do these businesses retain a healthy profit from that \$3.5 million? The simple answer is no because they are price takers and not price setters. They cannot influence their margin by cutting more wood, they can only do it by cutting their expenses.

Between payroll, equipment loans, insurance, repair parts, fuel, overhead and the current income tax rate, they are lucky to retain 1-2%. And now, this bill wants to tax this narrow margin and give it away to those that are deemed to be in greater need. Based upon the way markets have been in Maine over the last decade, I can tell you that of any of the heritage-based businesses, loggers might need help the most.

To put it in perspective, a load of hardwood pulp today has a delivered value of roughly \$1,650. If a logging contractor only delivered hardwood pulp, which is not reality, that's only 8 loads delivered to a mill per day, five days a week for 52 weeks a year to produce \$3.5 million in gross receipts.

Pulpwood and biomass are the least valuable of all of the products that a contractor produces and delivers. The point is, it doesn't take a long for a medium sized contractor with 12-15 employees, two logging operations and five trucks to accumulate \$3.5 million in revenue. And again, I'll emphasize, under normal conditions, they only retain 1-2% in profit and now this bill proposes to take all of that or half of it away from them. Evidently, logging businesses should simply become non-profits as that's the only way they can stay in business to protect what they've worked so hard to earn.

One of the intended recipients of the revenue from this tax increase is the Maine Agriculture, Food System, and Forest Products Infrastructure Fund. This fund, overseen by an appointed advisory board, of which I am a member, is designed to provide targeted support for production businesses in Maine. However, the Maine Agriculture, Food System, and Forest Products Infrastructure Fund has not yet been fully established and currently lacks a dedicated funding source, which is likely the reason for this bill. I will say now that if this tax increase goes into law, there is no need to have forestry remain a part of this program as there will be no loggers left to take advantage of anything it does.

Please vote unanimously Ought Not to Pass on this legislation and protect the rest of the heritage businesses in this state that would be subject to this tax and none of the benefits.

Thank you for your time and please let me know if you have any questions.