



Testimony of

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**Before the Committee on Innovation, Development, Economic Advancement and
Business in Support of LD 1650 – An Act to Create the Small Business Capital Savings
Account Program**

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Senator Curry, Representative Roberts and members of the Committee on Agriculture, Conservation and Forestry, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is the voice of logging and associated trucking contractors throughout the state of Maine. The PLC was formed in 1995 to provide independent contractors representation in a rapidly changing forest industry.

As of 2017, logging and trucking contractors in Maine employed over 3,900 people directly and were indirectly responsible for the creation of an additional 5,400 jobs. This employment and the investments that contractors make contributed \$620 million to the state's economy. Our membership, which includes 200 contractor members and an additional 100 associate members, employs 2,500 individuals who work in this industry and is also responsible for 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 1650 – An Act to Create the Small Business Capital Savings Account Program. We would like to thank Senator Stewart and Representative Dunphy for their bi-partisan support of this bill on behalf of the small business community in Maine's heritage industries of farming, fishing and forestry.

The forest products economy in Maine is amid a reinvention process. From 2011 to 2016, Maine experienced the closure of five pulp and paper mills and the periodic idling of two wood energy electric facilities. Between 2014 and 2016, the total economic impact of the forest products industry fell from \$9.8 billion to \$8.5 billion, and more than 5,000 jobs were lost.

Forest Products Industry

	2011	2014	2016
Total Economic Impact	\$8.5 billion	\$9.8 billion	\$8.5 billion
Total Jobs	38,789	38,956	33,538

However, despite setbacks in the last decade and those experienced with the pandemic, Maine has one of the greatest forest resources in the world and we are optimistic about a brighter future. That said, the obstacles to get wood to market are steep and the ebbs and flows of small logging businesses from year to year are very challenging.

One of the greatest disincentives for small businesses growth in the logging industry is the inability to plan and save for future investment from year to year. If a business has a positive year and yields a profit, that business must either claim the income and pay corporate income tax on it or they must immediately reinvest the income back into the business by purchasing equipment, material, etc. even if they don't need to. The current system as it stands does not provide an opportunity for savings or appropriate long-term planning and puts small businesses at risk from year to year.

Similar to the theory of retirement planning for individuals, small businesses should also be afforded this same type of opportunity so that they can be encouraged to save and reinvest when the time is right, rather than when they don't need to. The past year is a great example of this dichotomy. A small business may have a good year in 2019 but operated at a loss in 2020. To help smooth out the highs and lows, small businesses should be encouraged and allowed to save so that they can reinvest in their businesses at the appropriate time without penalty or tax hardship.

We see LD 1650 as a very well-intentioned piece of legislation which can pilot test the idea to see if it has merit in a broader context.

With LD 1650, small businesses in timber harvesting, farming and fishing will be given the opportunity to create an income capturing mechanism, similar to those retirement facilities that have been created for individuals, i.e. 401(k), 403(b) or other, that have been authorized to encourage savings for the future. The small business can capture their profits up to a reasonable amount of \$250,000 and save it for a time in the future, between 2021 and 2024, without paying income tax on it at the end of the year in which it was deposited. This type of savings plan will encourage reinvestment in capital equipment at appropriate times, rather than only at a time when they don't need to.

It would provide the opportunity for businesses to shield their income from tax at the time of earning, but it would promote savings and it would also allow the business to reinvest that income at a more appropriate time in the future. For example, when small businesses are facing their valley of death as a result of market changes or other, this will allow that business to remain for a period of time when they can right size their operation or implement a change of direction. This could be an opportunity for small businesses to succeed rather than succumbing to recent downturns which are so consistent in the world of small business.

Lastly, the state will also benefit from this type of a program because it will: 1) still capture the tax when it is paid at a time in the future; 2) the state will capture more revenue in the long run from businesses that are able to stay solvent, and 3) the state will also capture more income tax because of the interest earned on funds invested in the savings account.

It is hard to find a downside for this type of a program and it could be precedent setting for the small business community in Maine and across the country. This type of small business savings plan could be a win win for the small business community in the state of Maine and

for state government. However, we won't know that for sure unless it can be tested.

Thank you for the opportunity to provide the opinion of our membership before you today and I would be happy to answer any questions you may have.