



Maine Forest Products Council

The voice of Maine's forest economy

Companies represented on the MFPC Board

American Forest Mgmt.
Baskahegan Co.
BBC Lands LLC
Bradbury Forest Mgmt.
Columbia Forest Prod.
Cross Insurance
Family Forestry
Farm Credit East
Fontaine Inc.
H.C. Haynes
Huber Resources
Innovative Natural
Resource Solutions
J.D. Irving
Katahdin Forest Mgmt.
Key Bank
LandVest Inc.
Limington Lumber
Louisiana Pacific
Maibec Logging
ND Paper
Nicols Brothers
Pingree Associates
Pixelle Specialty Sol.
Pleasant River Lumber
Prentiss & Carlisle
ReEnergy
Richard Wing & Son
Robbins Lumber
Sappi North America
Southern Maine Forestry
Stead Timberlands
TD Bank
Timber Resource Group
Timberstate G.
Wadsworth Woodlands
Wagner Forest Mgt.
Weyerhaeuser

Testimony opposing LD 1524 An Act To Amend the Maine Exclusion Amount in the Estate Tax and LD 1704 An Act To Amend the Maine Exclusion Amount in the Estate Tax and Provide Additional Funding for the Housing Opportunities for Maine Fund

May 18, 2021

Patrick Strauch, Executive Director

Senator Chipman, Representative Terry and distinguished members of the Taxation Committee, I am Patrick Strauch from Exeter, Maine, and the executive director of the Maine Forest Products Council (MFPC). I represent Maine's forest product industry, which represent more than \$8 billion in economic contribution to the state's economy, and more than 33,000 direct and indirect jobs.

The estate tax hurts many of our logging, landowner and manufacturing members who are family-owned businesses. Certainly, unpredictable legislative changes imposed on this tax exemption are destructive to our members' planning and to tax policy stability. So We'd like to provide a more detailed look at how the proposed tax changes effect landowners.

Many private woodland owners place a high value on leaving a family legacy from the land they own for future generations. They want their children and grandchildren to enjoy the land with the least amount of expenses, taxes and problems. But timber is not like a liquid portfolio of stocks and bonds. Timberland generates only modest returns from operations, which means that landowners can only capture their returns through large-scale harvesting or the sale of the timberlands.

So when a timberland owner dies, it often starts a chain of unfortunate consequences. Those who inherit generally are not aware of the value of the timberland until the tax is due. They don't have the financial resources to pay the estate tax unless they sell the land, so despite their desire keep it in family ownership, they must sell. The sale can precipitate large-scale harvesting. In developing areas, such as southern Maine, the next step is development.

Fortunately, under Maine law the first \$5.87 million of a resident decedent's estate is exempt from tax. The tax is 8% on the amount between \$5.87 million and \$8.8 million; 10% on the amount between \$8.8 million and \$11.8 million, and 12% on the excess. Greater amounts are taxed at 8 percent, 10 percent and 12 percent, based on the amount of the estate. So in Maine there's much less risk of unanticipated estate tax exposure.

LD 1524, however, would dramatically lower the amount that is exempt from estate tax to just \$2 million, exacerbating all the problems detailed above. LD 1704 reduces the exclusion amount, below which the Maine estate tax does not apply, to \$1,000,000 for estates of those who die on or after January 1, 2022 and removes the annual adjustment for inflation of that exclusion amount. The bill creates an additional exclusion amount from the estate tax for family farms and aquaculture, fishing and wood harvesting businesses of up to \$3,800,000, but we believe these businesses should be maintained at the current exemption levels.

Maine's current system is working well and protects our forestland, an important resource not only for timberland owners, but for our small manufacturing and logging businesses.

We strongly oppose both bill. Please **vote ought not to pass** on 1524 and LD 1704.

Thank you.