



Testimony of

DANA A. DORAN
Executive Director
Professional Logging Contractors of Maine

Before the Committee on Taxation in Opposition to LD 1524 – An Act To Amend the Maine Exclusion Amount in the Estate Tax

Thursday, May 13, 2021

Senator Chipman, Representative Terry 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 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 represent independent contractors 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 small business members, employs over half of the 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 opposition to LD 1704 – An Act To Amend the Maine Exclusion Amount in the Estate Tax. We certainly understand and respect the intent of the sponsor, but we can't support using changes in the estate tax to do that.

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. In 2016, the total economic impact of the forest products industry was still estimated at \$8.5 billion, and 33,538 total jobs.

At the same time, rapid marketplace changes have led to the recent closure of six pulp and paper mills and two biomass electric facilities and related declines in forest manufacturing and harvesting. The result is that Maine has lost 50 percent of its softwood pulp market in the last two years. 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. Rural Maine communities where mills have closed are experiencing high unemployment rates, loss of population, and significant basic infrastructure challenges.

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
------------	--------	--------	--------

The forest industry was in the midst of a comeback until the onset of COVID 19 and the digester explosion at the Jay mill in April 2020. As a result of mill closures and curtailments due to COVID 19, it led to a 30% reduction in harvesting capacity and the layoff of nearly 1,000 people in harvesting and hauling. This means that over 11,000 truckloads of wood were not delivered to a Maine mill in 2020. Further, for an industry that is responsible for over \$620 million of direct economic impact each year, it will mean a direct loss of over \$186 million of economic activity as a result.

I provide all this context because 100% of our membership are small businesses who are fighting for their collective lives right now. LD 1524 is not a pro-small business bill, and it certainly will not help these businesses fight through this challenging time nor will it help retain jobs in rural Maine. In fact, it will only continue to erode small businesses, put further pressure upon rural areas of the state and add the potential for costly litigation which will inevitably lead to business death by a thousand cuts.

For context, on June 6, 2019, this Committee voted on party lines to enact LD 420, *An Act to Amend the Maine Exclusion Amount in the Estate Tax*. That legislation would have returned the estate tax exclusion amount to \$2 million from \$5.7 million for estates of decedents dying on or after January 1, 2020 and would have removed the annual adjustment for inflation of that exclusion amount. The bill before you today is even more aggressive as it would lower the estate tax to \$1 million. And yes, this legislation would make an exception for natural resource businesses such as farming, fishing and timber harvesting. However, this wasn't a concession that we agreed to and, in the end, it would still lower the threshold to \$3.8 million from \$5 million and it also wouldn't extend to all of the other components of timber harvesting businesses such as other real property such as real estate, trucking, etc. As a result, we still cannot support this legislation.

This bill would place an undue burden on middle class families and small business owners such as our membership. It is essentially a middle-class tax upon our hard working members.

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 and other investments, IRAs and other pre-tax retirement savings, and tangible personal property such as jewelry, vehicles, and household items. The combined value of these assets adds up quickly.

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 or secure a loan to fund the payment. Removing assets from the estate is the only way to avoid this estate tax; doing so is not an option for many who have their assets tied up in current operations. Furthermore, the fees to hire an estate planning lawyer to remove assets from the estate often can run into tens of thousands of dollars.

Thank you for providing me with the opportunity to appear before you today to testify in opposition to this bill and I would be happy to answer any questions you may have now or during the work session.