



**Testimony of the Maine Woodland Owners Neither For Nor Against
LD 268 “An Act To Create a Credit under the Commercial Forestry Excise
Tax for Landowners Using Businesses Based in the United States”**

Senator Chipman, Representative Tipping and Members of the Taxation Committee, I am Tom Doak, Executive Director of the Maine Woodland Owners testifying Neither For Nor Against LD 268.

The Commercial Forestry Excise Tax (CFET) as currently configured is based upon 40% of the cost of the forest fire protection program within the Maine Forest Service and is imposed on landowners, who own more than 500 acres in total.

This is an unfair tax - plain and simple. The statute that governs this tax starts out in this unique/strange way: “The Legislature finds that engaging in commercial forestry is a privilege that results in costs as well as benefits to the State and that persons enjoying that privilege should be subject to the tax imposed by this chapter.”

The tax has an interesting history. It was originally conceived as a dedicated tax to pay for half the cost of the Forest Fire Control Division (now Forest Protection Division) in the Maine Forest Service. This was and is, in addition to property taxes.

Ultimately the courts ruled the tax to be unconstitutional. The statute was rewritten in a number of ways including that while the tax was still based on the cost of forest fire protection, to get around the constitutional issues, the funds collected are deposited in the General Fund. The money can be used for anything.

There are some ironic parts to this tax. Woodland owners already pay property taxes, which for every other taxpayer, covers fire protection. Woodland owners end up paying twice. As I mentioned, the tax is based on a percentage of the forest protection budget within the Maine Forest Service. The vast majority of fires on woodland are caused by people on the land. These are people recreating on the woodland owners property for free. The outdoor economy of this state including hunting, snowmobiling, atv riding, hiking, etc. is largely based on this free access. If landowners didn't keep their land open, there would be many fewer fires and the CFET would go down. Landowners can reduce the tax by not allowing people to use their land.

The second ironic part is that if a woodland owner states he or she has no intention of managing the land (forever wild) or if the owner has a deed restriction prohibiting harvesting, that woodland owner doesn't have to pay the tax. There is no less risk of fire on land unmanaged, but the landowner is exempt from the tax.

The unfairness of this tax was recognized by the legislature in the late 1980's. The law was changed to decrease the percentage landowners paid from 50% of the forest fire protection budget (the percentage at the time) to 25% over a five-year period. You may remember that the State experienced pretty abrupt budget woes in the late 1990's, so after the percentage of the tax paid by landowners had dropped to 40%, the further reductions were put on hold. Ultimately the statute was changed again freezing the landowner percentage at 40%, where it sits today.

While I expect everyone feels a tax that impacts them is unfair, this one is pretty unique. We are Neither For Nor Against because we feel the tax should simply be repealed.